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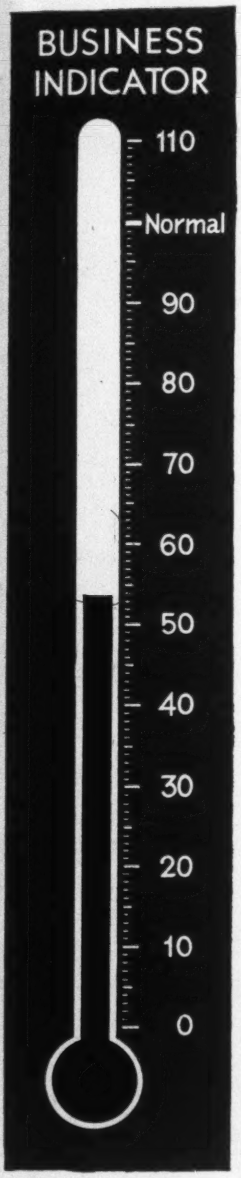
THE BUSINESS WEEK:



Business seems to be resisting the usual influences making for recession as the year ends, in striking contrast with the sharp decline of most indicators a year ago at this time. . . . The net change in the general level of business activity, after allowing for seasonal fluctuations, has been surprisingly slight during the past six months. . . . Similar steadiness has been evident in stock prices, the average level of which is almost the same as it was two months ago, and is approaching that of the preceding year for the first time during the depression. . . . Commodity price averages are still hovering around the depression lows, but seem to meet a resistance point at these levels. . . . These indications of stabilization are the more striking because they have come in face of increasing international difficulties precipitated by the debt payment discussions, as well as uncertainties regarding fiscal and other Congressional legislation, and renewed contraction of bank credit. . . . Although it appears probable that the spiralling process of deflation has recently been resumed, clouding the prospects of improvement next year, the course of business during the past half-year suggests that a broad bottom has been established from which it should be possible for recovery to proceed if the proper private and public business policies are applied in the next few months.

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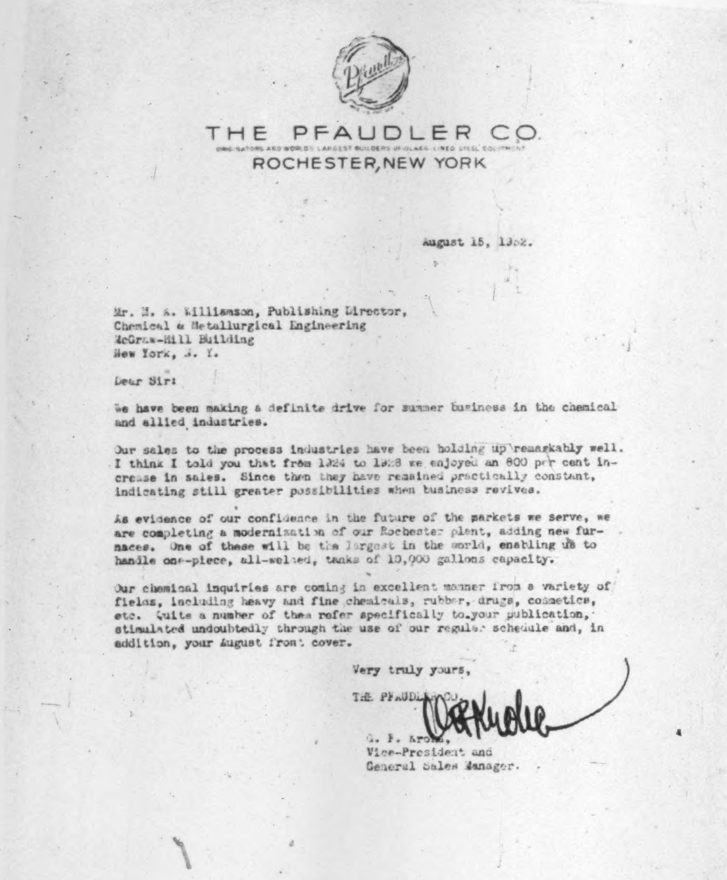

THE PFAUDLER CO.
ORIGINATORS AND WORLD'S LARGEST BUILDERS OF GLASS-LINED STEEL EQUIPMENT
ROCHESTER, NEW YORK

August 15, 1932.

Mr. M. A. Williamson, Publishing Director,
Chemical & Metallurgical Engineering
McGraw-Hill Building
New York, N. Y.

Dear Sir:

We have been making a definite drive for summer business in the chemical and allied industries.

Our sales to the process industries have been holding up remarkably well. I think I told you that from 1924 to 1928 we enjoyed an 800 per cent increase in sales. Since then they have remained practically constant, indicating still greater possibilities when business revives.

As evidence of our confidence in the future of the markets we serve, we are completing a modernization of our Rochester plant, adding new furnaces. One of these will be the largest in the world, enabling us to handle one-piece, all-welded, tanks of 10,000 gallons capacity.

Our chemical inquiries are coming in excellent manner from a variety of fields, including heavy and fine chemicals, rubber, drugs, cosmetics, etc. Quite a number of them refer specifically to your publication, stimulated undoubtedly through the use of our regular schedule and, in addition, your August front cover.

Very truly yours,

THE PFAUDLER CO.

G. F. Krone,
Vice-President and
General Sales Manager.

STEADY ADVERTISING

• • • • •

STEADY BUSINESS

• • • • •

So, in 1932, Pfaudler plant modernizes to handle MORE business in 1933

Back in 1925 The Pfaudler Company launched a long-haul advertising campaign in "Chem & Met" to create sales of its glass-lined steel equipment to the varied group of manufacturers that comprise the process industries. The schedule has proceeded without a single interruption.

In the four years immediately prior to the general collapse of business Pfaudler's business increased 800%. All through the depression this leadership has been maintained. While other manufacturers drifted with the falling tide Pfaudler improved its facilities and made its plans for still greater progress in 1933.

This, we contend, is the way to plan advertising. If you, too, want long-haul sales results plan your advertising on a long-haul basis. When you tinker with it to save money you really save money for the competitor who is smart enough to see that the costliest thing about advertising is the failure to use it properly.

Chemical & Metallurgical Engineering, 330 West 42nd St., New York

THE BUSINESS WEEK (with which is combined The Magazine of Business) December 21, 1932, No. 172. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thomp Secretary, $7.50 per year, in U.S.A. and possessions: $10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at th Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.

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THE BUSINESS WEEK

DECEMBER 21, 1932

Bank Reform

Pressure for bank reform legislation has become sharp and widespread, but conflicting interests will probably produce an improvised emergency compromise, delay unification and other fundamental changes.

BANKERS seem to be resigning themselves to the inevitability of some banking reform legislation in this or the next session in face of public dissatisfaction over the appalling record of bank suspensions in recent years. Concerted opposition to the Glass bill, now at the top of the Senate calendar for this session, is dissolving; but the House will probably hold it up. Nevertheless unanimity of insistence on the necessity of some action to strengthen the banking system, shown in recommendations of the recent Chamber of Commerce referendum and annual reports of the Comptroller and Secretary of the Treasury, indicate rapid progress toward remedial legislation.

Its precise character is not yet clear, but the probabilities point to (1) some extension of branch banking, (2) some regulation of security affiliates and investment banking operations of commercial banks, (3) some expansion of Federal Reserve powers, without complete unification, (4) speeding up of the process of liquidation of closed banks.

The case for action is clearly presented in the annual report of the Acting Comptroller of the Currency, who confesses in effect that he can't control the currency and credit machinery of the country very well any more because there have been too many small, weak, independent banks in the country since the war, and they have blossomed and withered so fast that it would take a slow-motion film to keep up with them.

20-Year Record

From 1900 to 1920 there were about 20,000 new banks chartered in these states, about 1,000 a year, largely because of lax state laws and the national bank act of 1900 which reduced the maximum capitalization of national banks from $50,000 to $25,000. Since 1920, banks have suspended at the rate of about one every 10 hours, and in the past 3 years they have folded up at the rate of one every 5 hours, while in 1931 one passed out every 230 minutes.

In the 10,484 banks suspended during the past 12 years the deposit liabilities tied up totaled $4,882,481,000. This means that an average of about $775 of purchasing power was tied up every minute. In the past 3 years alone bank suspensions have frozen the deposits of the public at the rate of over $2,000 every minute.

More than two-thirds of the banks suspended since 1920 had a capital of less than $50,000, and three-quarters of them were in towns of less than 2,500 population.

The Comptroller does not renew any of the recommendations for meeting the problem by branch banking put forth by his predecessor, Mr. Pole. He contents himself with pointing to the "drastic effects of a precipitous deflation" and "the effect of the competition in laxity existing in the American banking system, consisting of 48 state systems in competition with one national system and with little or no correlation."

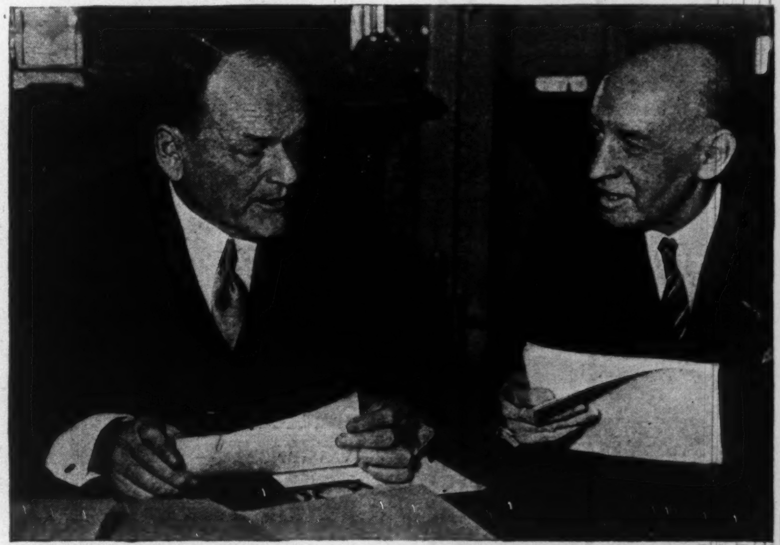
Secretary Mills, reviewing the ghastly record of bank casualties, does recommend again extension of trade-area branch banking privileges for national banks, but says the problem goes deeper and suggests further study by a joint committee of the two Houses to consider pending legislation "with a view to prompt action that will remedy the fundamental weaknesses of our banking structure."

The study the Federal Reserve authorities have been making of the branch banking problem has not yet been made public, but Governor Meyer is on record for outright unification of the banking system by bringing all banks into the Federal Reserve System under national charters. Although his proposals for this purpose have been put into a separate bill at the suggestion of Senator Glass and the Senate Committee, it is doubtful if they will get far at this stage of the discussion.

U. S. Chamber Reports

That sentiment is moving in this direction, especially under pressure of business opinion, is reflected in the report of the banking committee of the U. S. Chamber submitted last week to the usual referendum among its members.

The most striking feature of this report is the extent to which it proposes expansion of Federal Reserve powers in the control of member bank activities. It suggests that they be given authority to deny rediscount privileges to member



Wide World

VETERANS AND ECONOMY—Rep. John McDuffie (Ala.), chairman of the special committee appointed by the Senate and House to discuss the ticklish problem of reducing annual expenditure for veterans' compensation, talks it over with Gen. Frank T. Hines (right), director of the Veterans' Bureau.

banks whose operations are endangering their solvency or contributing to unsound credit conditions, and that they be authorized to regulate the affiliation of member banks with non-member banks and with investment companies, and supervise the activities of such affiliates.

The report does not recommend that security affiliates or investment activities of commercial banks be eliminated altogether, and suggests that control of security loans for others be left to voluntary action rather than to legislation. It also would avoid legislative interference with open-market operations or credit policies of the Reserve Banks, and opposes putting upon the Reserve authorities any explicit responsibility for price stabilization under legislative mandate. But it quite clearly contemplates giving the Reserve authorities larger supervisory powers over the operations of member banks, and particularly suggests certain minimum limits on their capitalization.

As to the organization of the banking system it takes a compromise position, somewhat similar to the Glass bill, to which it is otherwise opposed. It recommends extension of state-wide branch banking privileges to national and state member banks on equal terms, subject to concurrence of state laws and consent of the Federal Reserve authorities. Also in line with its tendency to widen the authority of the Reserve system, it sanctions extension of group banking to members of the Reserve system within Federal Reserve districts, subject to supervision of the Reserve authorities.

Like the Glass bill, it suggests a special corporation set up by the federal government, the Reserve banks and the member banks to speed liquidation of closed member institutions.

Congress

The Democrats aren't going to enact important legislation until they take command.

WASHINGTON—It is becoming more and more apparent that very little important legislation, with the exception of some sort of beer bill, the regular appropriations, and perhaps some sort of additional relief measure, will be enacted by the short session of Congress.

Democrats are in actual control of the House; with the aid of the Progressives have a considerable majority in the Senate. They have no disposition to expedite legislation for which the White House could claim credit.

Of course on appointments it is just pure politics. The Senate will confirm almost no one to any office carrying on beyond Mar. 4. That is just a matter of saving the political pie for their own.

Keyston

MOVES UP—Rep. Sam D. McReynolds (Tenn.), is the new chairman of th Committee on Foreign Affairs, succeeding the late Rep. J. Charles Linthicun

But the pressure of time is so great and the fighting over economies in the appropriation bills is so bitter that it is doubtful if even Senator Glass's bill for revamping the banking system will get through. And as for the revision of the anti-trust laws, the desired legislation to expedite consolidation of the railroads, and reorganization of the government departments, there is almost no chance for them.

The last will be vigorously opposed by the Democrats. They want the revamping of the governmental bureaus done by themselves, with a Democratic President to make appointments and a Democratic Administration to get credit.

It might be assumed that the people, watching this performance, would see through it, but political history reads otherwise.

Debt Laws

Bills to facilitate reorganization of corporate debt structures get impressive backing from bankers and Administration.

WASHINGTON—The big banks and insurance companies are pressing hard for modification of the bankruptcy laws to facilitate corporations' readjustment of bonded indebtedness. The Attorney-General agrees that such legislation is needed. One bill has been introduced; another is in preparation.

All this is good preliminary work fo action by the next Congress — but n such legislation will pass this sessio The Senate Judiciary Committee faile to arrange definitely for hearings o bankruptcy legislation. That is a prett accurate forecast that no early action to be expected on either general or pa ticular features of bankruptcy procedu

Attorney-General Mitchell suggest in his annual report that emergen legislation was warranted by the critic situation. His recommendation that should be put ahead of general revisio of the bankruptcy laws ignores opinio of many lawyers that any curtailment o the rights of either stockholders or bond holders would be unconstitutional.

Proposed legislation is designed t facilitate corporate reorganization. Spe cifically, an effort will be made to mak it impossible for small minorities to bloc reorganizations, or commit holdups.

The Department of Justice drafte such a bill which was introduced las June by Senator Hastings (Del.), bu never reached a vote.

Now the Interstate Commerce Com mission has recommended a similar bi to apply to railroads (which Senato Hastings' bill excepted). This wee railroad lawyers have been cooperatin with Solicitor-General Thacher in pre paring a draft. The bill, apparently will require consent of the holders o 75 per cent of a railroad's outstandin bonds to any plan for scaling dow capital obligations.

War Debts

tain decides to set a good example to debtors, even ough it may depress exchange value of the pound; rance has no such worries, and simply cuts the knot.

EAT BRITAIN'S decision to pay the c. 15 instalment on war debts calls the earmarking of some $95 mils in gold at the Bank of England, minishing by an appreciable percente the gold reserves with which Britain n support the exchange value of the und sterling. The gold will find its ay here later, probably through the opations of private dealers in exchange. ffect of the payment undoubtedly will to clinch the decision against any rly return to the gold standard in ritain. That, again, prolongs our difculties in trying to trade with those untries whose currency moves with erling.

Britain thought the price worth paying part of the cost of maintaining good lations with the United States, and pholding the principle that creditors ust pay. She is a great creditor nation; er default would have been an example hich her debtors would have noted d probably emulated.

France, deciding to default her little 19-million payment, obviously is acting from political motives. The sum is not large enough to be of the slightest economic significance. Moreover, France is wealthy and has the world's second largest stock of gold. But she has no foreign creditors to whom she needs to set a good example; her important investments abroad are not investments at all, but political loans, as to Poland and Rumania. Whether the private French purchaser of these bonds realizes it or not, they are not investments, but military expenditures. There was nothing, therefore, to restrain the French from cutting the knot instead of waiting to unravel it through long negotiations.

Anti-Trust Easing

What Mitchell really meant was that Congress must take the initiative. But it probably won't.

ANTI-TRUST law relaxation is not much "forwarder" for Attorney-General Mitchell's recommendation in his annual report that Congress give "prompt and sympathetic consideration to some kind of temporary O.K. on business combinations that would meet the emergency without a departure from the fundamentals of our present system." Washington says, in passing on the suggestion, that it "may be possible" to do this, he merely chose a particularly happy way of stating that modification of the anti-trust law is for Congress to initiate, not for the Department of Justice. This has always been his position and he has fortified it by saying that the depression does not abrogate the law.

Prompt action from this Congress seems highly unlikely. Senator King, chairman of the Senate committee in charge, doesn't believe there is any possibility of handling so comprehensive a subject in so short a time. His personal antipathy to relaxation will be a large factor in blocking sympathetic action. As for temporary easing, the Congressional opposition has a proverb: "Once a camel gets his head in a tent, his stern is soon in, too." It makes a biblical sound that helps to confirm the apothegmatists in the righteousness of their stand.

I.C.C. Blocks Track

Opposes relaxing the rules to meet railroad demands.

AWAITED with more than usual interest this year, the Interstate Commerce Commission's annual report, now out, is significant principally as a demurrer to the railroads' specifications for relaxing regulation to give them a free hand in fighting off competition.

As outlined to the Coolidge Committee, the railroads would shear the I.C.C. of its power to suspend operation of rates proposed by them. They want more latitude to make competitive rates and a free hand to make rate reductions on less than 30 days' notice.

The commission's reply was a warning that "the experience of the past proves beyond question that the rate chaos which is the inevitable result of free and unregulated competition in transportation is destructive in its long-run effects and of possible advantage only to shippers and communities big enough to extort the largest concessions from the warring competitors."

So the argument reached stalemate during the first week of a session of a Congress that doesn't propose to do anything about it anyhow. With no prospect of action in Senator Couzens' committee, Representative Rayburn has no present intention of seeking action by the House on pending bills for a new rule of rate-making and repeal of excess-earnings recapture.

Keystone

HEY SHOULD STAY AWAY"—So said Representative La Guardia (N.Y.), a me duck but a noisy one. Brewers appearing before the House committee on ays and means were doing more harm than good, he shouted. Levi Cooke of ashington, attorney for the brewers, and August A. Busch, St. Louis brewer, right) seem not too well pleased at the turn of affairs.

Free Pick-up

New England railroads, hard-pressed by other trucks, wipe out the charge on their own.

FREE pick-up-and-delivery service on practically all less-than-carload freight in northern New England will become effective Jan. 1. Shippers will pay only the present station-to-station rail rates.

The pioneer in this sweeping extension of service from rail to road is the Boston & Maine, a distant relative of the New Haven and also of the Pennsylvania through the Pennroad Corp. This company established pick-up-and-delivery service last May on shipments on which the rail rate was at least 75¢ or $1. For long truck hauls a charge of 5¢ or 10¢ was added to this rate.

Other roads that joined in the plan since then now have agreed with the B.&M. to eliminate the minimum on which pick-up-and-delivery service will be afforded and to abolish the extra charge. Truck service will not be available at some of the small stations but pick-up or delivery will be made at the other end.

The new service will be available on and between the lines of the Boston & Maine, the Maine Central, the Grand Trunk and Central Vermont (Canadian National), Canadian Pacific, Rutland, Montpelier & Wells River, St. Johnsbury & Lake Champlain, and the Bangor & Aroostook.

One-Road Pool

Rail lines probably will be allowed to keep their own surcharge collections in '32.

IT is a practical certainty that the I.C.C. will continue the emergency freight rate surcharges in effect after the 1-year expiration date, March 31. It is probable also that the commission will thereafter permit the roads individually to keep all they collect rather than continue to pay them into a pool for loans to others in more dire circumstances (*BW—Oct28'32*).

The pool has saved 40 roads from defaulting on bond interest this year. But as the Association of Railway Executives points out (*BW—Nov9'32*), only 32 of the 162 Class I railroads now are earning their fixed charges. The others had a deficit, after deducting surcharge revenues paid into the loan pool, of $255.3 millions during the first 8 months.

The association contends that no carrier whose net income, including revenues from the emergency rates, is not sufficient to pay its fixed charges, should be required to pay over any money for the relief of another road in the same plight. The I.C.C. is likely to agree that the meager collections of the roads over this mark do not justify continuance of the pooling plan. The 32 roads not in the red during the first 8 months of the year paid $6.3 millions into the surcharge pool. Had they been allowed a normal deduction for deferred maintenance, their contribution would have been only $5.3 millions.

De Luxe Trolleys

For an extra fare, Detroit proposes to guarantee a soft seat.

DETROIT straphangers are invited to participate in a sort of informal straw ballot on whether they want to pay an extra fare to get a seat—a plush seat.

Municipal operators of the street car system are displaying a de luxe car, with individual bucket seats upholstered in mohair. Visitors to the exhibit, near City Hall, are asked whether they would patronize such a car, at a 10¢ fare. The regular fare is 6¢.

If enough of them show an interest, the de luxe service will be instituted on important routes. Like the Fifth Ave Co. buses in New York, the cars wil pick up no passengers when seats ar filled.

The experiment is not regarded a particularly significant, because it i probable that none but a municipall operated line could adopt the plan Franchise restrictions probably woul interfere elsewhere. A somewhat simi lar plan operated from the New Jerse suburbs of Philadelphia was knocke out by litigation some years ago.

Bus Rate Wars

No one regulates the buses an they are briskly cutting eac other's throats.

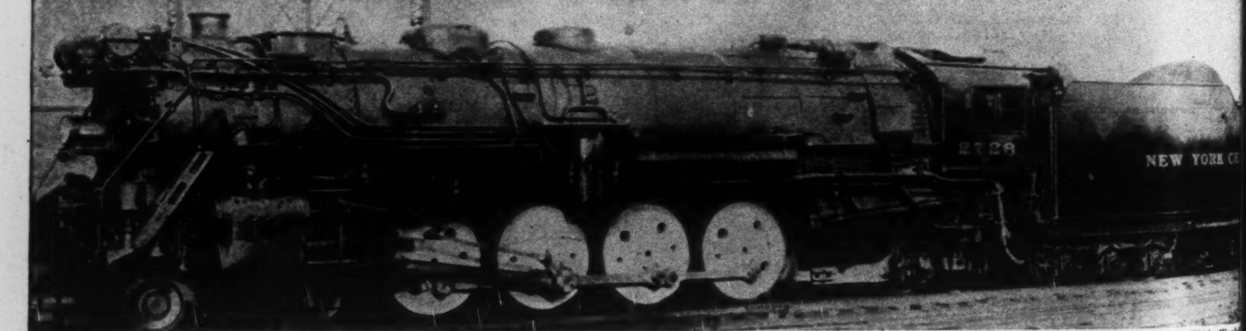
SLIM traffic and the competition of th "share expense" racket have started bu rate wars in various sections of th country. Prices are below cost, excep for the occasional capacity load—an there aren't many capacity loads in th best of times.

Rates are $1.50 now for the 370-mil hop from Chicago to Detroit. The are $1.50 for the 230-mile Boston-New York route. Pittsburgh–Chicag rates are $7, while they were $10.50 Pittsburgh–New York, $6 against th former $10.

Bus operators are complaining bitterly of the "share expense" racket Few of these are genuine nowadays the cars, professedly driven by owners are really operated professionally o fairly regular schedules, with trave agencies getting 20% of the fees. A sample: they offer a ride from New York to Chicago in 27 hours for $9

Portland–Seattle bus lines are having a rate war with the railroads which have cut rates to $2.50 one way, $4 round trip. Buses have met this.

The only solution for all this, say well-established bus companies, is federal regulation.



Wide World

SPOKELESS—The New York Central is not going Art Moderne or anything like that; the new locomotive wheels, to be adopted uniformly, are not for New Art's sake; they are 2,000 lb. lighter per locomotive, are easier to cast, don't pound the rails so hard. They consist of two discs, with an ordinary tire. Lead-filled pockets provide driving-rod counterbalance.

Wide World

RAIL DEBATE No. 2—While railroad men argued with their competitors in New York, they argued among themselves in Chicago. The family row was over wages. Managements sought to extend the 10% pay cut. Workers said the "deduction" must be kept on a temporary basis. A. F. Whitney, chairman of the Railway Labor Executives' Association (right), confers before the battle with R. A. Knoff, vice-president of the Brotherhood of Railroad Trainmen.

Al Smith's Tenants

Wreathed in cigar smoke and soaked in statistics, Mr. Coolidge's National Transportation Committee listens to what's wrong with the railroads (and their rivals), prepares its own version.

ON the 30th floor of New York's sparsely-settled Empire State building, a girl opens a frosted door and nods negligently. "Go right in," she says. With startling abruptness, you find yourself in the presence of the National Transportation Committee.

On it are men who make Page One headlines. Ex-President Calvin Coolidge is chairman. His vice-chairman is Bernard M. Baruch, formerly head of the all-powerful War Industries Board, still one of the shrewdest Wall Street capitalists. Other members are Alfred Emanuel Smith, former New York governor and Democratic presidential nominee in 1928; Alexander Legge, lately chairman of the Federal Farm Board; Clark Howell, publisher of the venerable Atlanta *Constitution*.

These eminents have been blessed by large holders of railroad securities, principally banks and insurance companies, and commissioned to find out just what is wrong with the carriers and what's to be done about it. No less. The committee's report will be made to the security-owners. Whether Congress or other official bodies act upon resultant recommendations is entirely up to them. The committee has no power except publicity—but this it possesses in plenty. During last week's 3-day hearings, all groups interested (except labor) rushed in to get their views before the members and into the newspapers. Labor held out because of a legitimate fear that the knife is preparing for further wage cuts.

Business boards make strange bed (or table) fellows. Here is a Republican ex-President seated amicably with the Democrat who tried to succeed him. These men are now business executives. Mr. Coolidge is director of the New York Life Insurance Co. Mr. Smith is chairman of the County Trust Co., director of the National Surety Co. and the Consolidated Indemnity & Insurance Co. (Presumably these institutions cherish railroad bonds within their vaults.) Also Mr. Smith can draw upon a first-hand knowledge of rubber-tire transportation since he formerly headed a large trucking company. Mr. Legge is president of International Harvester, one of the world's largest makers of trucks. In Atlanta Mr. Howell's trucks dash to his plant, bearing newsprint to be inked with the world's happenings and trucked therefrom to subscribers. Mr. Baruch, a canny trader, must know what is what in both the rail and automobile field. Here is a nice balance of viewpoint since the largest question before the committee is rail and motor competition.

Here Is Simplicity

The non-official status of these gentlemen is evident from their surroundings. A federal board of such distinguished membership would have been guarded by somnolent turnkeys, would have met in a magnificent chamber with gold leaf on the ceiling and brass cuspidors on the carpet, would have occupied chairs hospitable to the seat, would have surrounded a table of ponderous mahogany.

Not so this committee room in the Empire State building. It is a bleak void that has not yet been cut up into offices. Mr. Coolidge and his colleagues sit at a table probably marked Director's Type, No. 3, in some office equipment catalogue. Their chairs are padless, are of wood hard as the heart of an Aberdeen banker. Even these are more luxurious than the ones supporting the 30 onlookers and pressmen, whose chairs are of the folding type. There are ash trays for the dunkings of committee members, but beyond them, smokers use the floor.

Witnesses representing interests other than the railroads usually address themselves to Mr. Smith. Carrier executives are inclined to single out the imperturbable Mr. Coolidge or the expressionless Mr. Legge. Mr. Smith rolls his fatted cigar to the other corner of his mouth before he interposes a question in those husky vibrations that carry so well over ether waves or convention hall microphones.

Brisk Colloquy

Mr. J. J. Pelley, president of the New York, New Haven & Hartford, is speaking from the chair opposite the committee. He is talking about regulation and taxation of trucking companies.

"Motor traffic is the natural march of progress," rasps Mr. Smith.

Mr. Pelley insists that transportation agencies should pay their own way.

"Can't sell the public on more taxes," opines Mr. Smith through a cloud of smoke.

"We intend to sell them," announces Mr. Pelley grimly.

"Well, all right," says Mr. Smith

flicking some ashes from his rotundity. Another railroader explains that the carriers desire to relieve the general public of imposts benefiting only certain highway users.

"You'll never sell it," asserts Mr. Smith, "the highways are there anyway."

Contemplative Smokers

The four members at this meeting have points of similarity. All wear glasses, all have the upward-retreating hair of middle-age, all smoke cigars. Howell and Legge are contemplative smokers. Smith's oversize cigar points skyward, emits generous clouds. The Coolidge cigar is a third the girth of Smith's rolling smoke, is at the far end of a white holder, is consumed slowly with frugal puffings.

The committeemen sit deep in their chairs as men inured to long inquiries. Many of the witnesses are lawyers. Their presentations lack fire because they cannot stride and gesticulate; they must sit and read. Interruptions are sometimes welcome. One session is broken by a vigorous hammering from a nearby room. Mr. Coolidge squirms uncomfortably, then rises. With small, thrifty steps he walks to a door but the intruding noise continues from another quarter. Mr. Smith gets up.

"I'll see how long it's going to take this fellow to reconstruct this building," he says as he disappears.

Abruptly the hammering ceases. Mr. Smith is president of the company controlling the building.

Mr. Coolidge and Mr. Howell ask few questions, seem content to sit and soak in the statistics and prejudices of the different partisans. Smith questions are frequent, bearing especially on taxation and matters affecting the general public. Questions from Mr. Legge bear principally on matters of government control and management. A railroad spokesman, while emphasizing the carriers' demand for regulation of competing services, says that retention of government regulation is desirable for all concerned.

In a matter-of-fact tone Mr. Legge makes a startling suggestion: "How about giving railroads a fair chance at competition by ending restrictions on railroad operation?"

A Witness Stumped

For a moment the witness is silent with open mouth.

"Why," he says recovering, "the whole rate structure is set up to preserve the balance between regions and localities. The selfish interests of the railroads are such that, if there were no regulation, complete chaos would result in respect to rates."

"Don't you think they could stand it?" insists Mr. Legge.

"No, I don't," the answer is instantaneous and emphatic.

Mr. Legge examines the nail of an index finger. Government control. Government in business. Perhaps he is meditating upon the brave but hapless attempt of the Farm Board to control prices of crop commodities.

The committee probably will hold no more open meetings though it has not despaired of coaxing some views out of the sulking labor leaders. Report of findings is not expected early enough to catch the present Congress. While off cialdom can hardly ignore the concl sions of such an important group on s important a subject, the security holde who sponsored the move probably a gratified with results. The hearing a lowed railroads and their rivals to u burden their bosoms. The vacancy ma become the dwelling place of better u derstandings.

The Business We

THE LEADER?—What Chevrolet dealers have been waiting for. Longer, lowe **smoothly streamlined; faster, better, cheaper. General Motors'** bid for th **lightweight championship goes far beyond plain transportation,** offers great **luxury at a lower price. Fisher's new ventilation system is featured.**

Ford Stores

Tried out in Buffalo, factory-operated retail branches may be started in other cities. Dealers protest.

No automobile dealer has had a really happy year. All have been haunted by sales quotas, trade-ins, which are familiar haunts, and by an increasing willingness to make the old car do, which is a new ghost and a fearsome one.

Ford dealers, in addition, have a special specter: the possibility of Ford-operated sales and service stations.

Late last fall, Ford stepped into the Buffalo territory and set up a retailing branch, "for experimental purposes." According to the company, "marketing information gained . . . will be put at the disposal of the entire Ford dealer organization."

Dealers were told that the new plan was not designed to interfere with them, but would "augment Ford service facilities, provide more adequate Ford dealer representation."

Capable of adding 2 and 2 only to get 4, the Ford dealers, "particularly in the larger cities where such action was deemed necessary," just could not understand that this was all for their own good. So they waited, and watched developments with a cold and suspicious eye.

Into its first venture into the actual selling of vehicles, the Ford Co. thre all its resources for organization, a the power of the Ford name. It co ducted a house-to-house survey. (His torical note: Chevrolet did this in som cities in the Model T days, perhaps th first wholesale questioning of the co sumer.) Then it lined up its prospect and went into an intensive selling cam paign.

Buffalo dealers, Ford and sidelin cry, "Wild trading!" and point to th used-car yard with higher-priced job traded in with a small cash differenc They say that's selling used cars, no Fords.

New York dealers, fearful of a simi lar benevolent institution, sent a tele gram of protest. Dealers in other citie have registered their objections mos forcefully.

Meanwhile, Ford sales have increase in Buffalo. Some were developed b intensive selling; some, of course merely diverted from the regular repre sentatives.

The public seems to prefer dealing direct with the factory store, due, prob ably to the greater prestige of the For name. That, perhaps, is what For wanted to find out.

Automobiles Accelerate

Chevrolet's new model fills in another side of the eternal motor triangle. Pontiac and Olds start up. Chrysler presents the new main line and an improved DeSoto. Ford promises "something real new," faces a momentous decision.

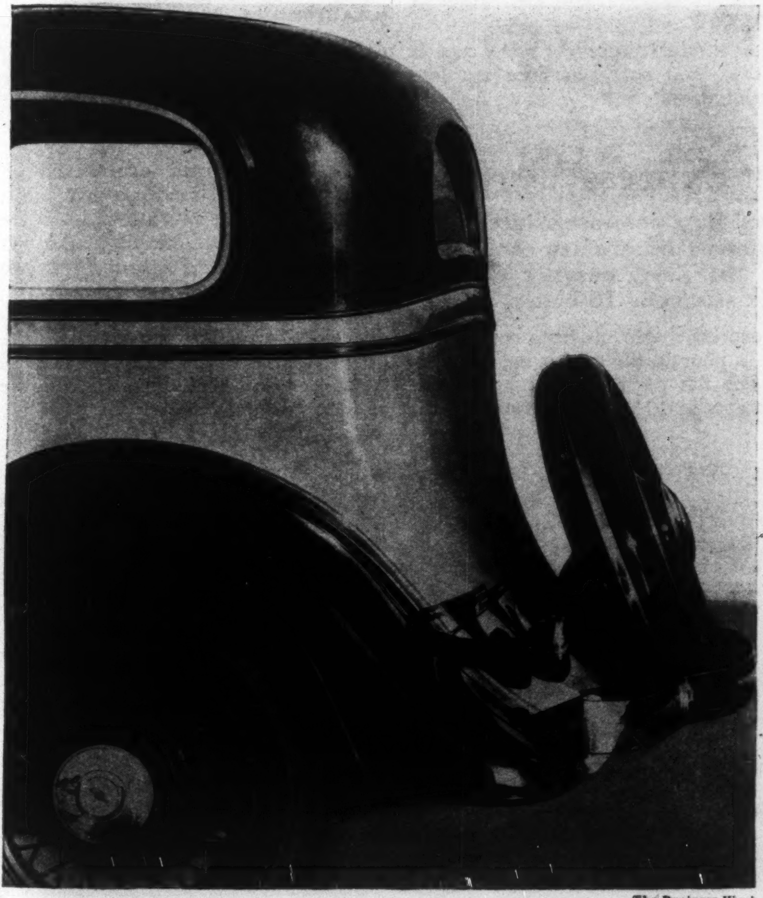
VISITORS to Detroit, these days, smile as they shake their heads. With the shows, like Christmas, only a few days away, accelerated production gives the Motor City a semblance of old times, and puts pay checks into pocketbooks long unaccustomed to such luxuries.

Plymouth production, which got a head start on its rivals, continues at a high rate. November shipments were nearly 4 times those of last year, and orders for the husky junior member of the Big Three are still coming in "in more than satisfactory volume."

Chevrolet is the big news this week, and its dealers, after weeks of patient "waiting for the leader," now know all. The new car is more dramatically designed than any of its prosaic predecessors. It is obviously bigger and better, and it has a new rakishness which makes the older Chevrolets look very old indeed. Prices are lower than ever.

In presenting this model, the company has definitely outlined a policy of expansion rather than reduction of quality. Others may offer bare transportation, Chevrolet is selling more style than ever.

Wheelbase has been extended to 110 inches—which would have put it in the medium price class not so many years ago. The engine, still a 6, operates even more economically than the present series, it is claimed, although stepped up in horsepower to 65, and in top speed to 70 miles an hour.



The Business Week

BEAVERTAIL—The rear end of the new Chevrolet shows the new treatment typical of the 1933 models. The back panel sweeps down over the gas tank in a modified streamline. Tire covers also are standard on many of the new cars.

Most radical change is in appearance. The radiator is raked and sharply v'd; the hood sweeps back almost to the windshield, which, like the Buick's, is set at a more pronounced angle. Fenders almost enclose the wheels, in the manner pioneered by certain foreign custom cars, and, more recently, by the current Graham. Like the new Plymouth, the rear end is completely covered and moderately streamlined.

Note the "Starterator"

Internally, there are new little luxuries to make the driver's lot easier, and sharpen a sales point. When stalled in a ferry line or on a hill, it is no longer necessary to fish for the starter pedal with one foot and hold the brake with the other. The "Starterator" is one more automatic gadget, but it eliminates the starter pedal or button and all danger of pressing it with the engine going. With the "Starterator," stepping on the accelerator starts the engine; when the engine is running it functions simply as an accelerator.

Manual spark control, too, has gone automatic. So has the heat control, now operated by a thermostat. Added, is an "octane selector" which sets the spark range for the particular grade of gasoline being used. The motor is mounted on a sub-frame at 4 points, the weight being carried on 2 lateral supports rather than at front and rear, in order to dampen vibration. This is GM's answer to floating power.

Bodies are longer and lower, feature Fisher ventilation. Appointments, to quote the catalogues, are luxurious. As a matter of fact, better upholstery, chrome-plating, reflect lower commodity prices.

Autographed Copies

Cadillac, at the other end of the price scale, will limit its 1933 V-16 edition to 400 numbered cars, autographed by the author and engraved with the owner's name. Line forms on the right.

Pontiac, as expected, has renounced the excellent but expensive V-8 and the adequate but internally competitive 6 in favor of a straight 8. With production concentrated on a single line, price class boundaries are more definite, an important consideration under the new GM selling setup where Buick, Oldsmobile, and Pontiac are handled together.

Details are not yet known, but Pontiac is sure to continue to be the General Motors "bargain car" in the class next above the Chevrolet.

Oldsmobile, too, has started production. Work will be spread to keep regular employees on the payroll until the expected expansion in the spring.

DeSoto is in production on a new 6 for 1933 which may be expected to continue the dashing style which accounted for its showing in the present model. This week also saw introduction of the parent Chrysler line carrying all improvements featured in the lower-priced lines plus added features of its own. Prices are substantially lower.

The new light-weight, low-priced Willys is in the works. Incidentally, Chrysler has just licensed Willys to use floating power. Only other licensee is Citroën, in France.

The Continental Automobile Co., automobile incarnation of Continental (Red Seal) Motors, announces 2 series of 6-cylinder cars. Not bare economy cars, as some observers so confidently predicted, but orthodox bigger-and-better jobs which meet competition with more luxury for the money.

The smaller 6 is still a whispering matter, but is obviously designed for the bitter warfare of the lowest price group. The largest replaces the DeVaux.

Continental is armed with much motor-building experience and its entry into motor merchandising is made easier by the number of dealers whose lines haven't been doing so well, and whose companies aim to save their money and wait for better times. In the meantime, of course, dealers must live, and that makes them receptive to anything that sounds like a living.

It's Ford's Move

With Chevrolet and Plymouth now out and making what hay there is, it's up to Ford to make the next move. Leaving his hospital after an operation, the 69-year-old motor maker promised "something real new," admitted it was necessary to "stimulate the public's desire sufficiently and then they will stir around some way and buy."

On this basis, the automotive prophets have done a great deal of talking about 4's and 6's and 8's, have announced that production is ready to start on the grandson of Model A, that first cars will be out by show time.

All of which may or may not be true. Probably not. As for the 6, it is an open secret that Ford engineers have been working on its plans for some time. It is said to include some radical improvements in motor design. But Ford engineers are always working on new things, and plans for a 6 or a twin 6 don't necessarily mean Model C's on the salesroom floors.

What is more important is the decision which Mr. Ford faces if he is to continue to be an important factor in the automotive world. He is geared to do one thing superbly well: produce automobiles in great quantity at a low price. His competitors are learning to produce automobiles in a quantity not so great at a still lower price. And they have forced him into making annual changes like themselves.

Mr. Ford can do just two things, and probably not even Mr. Edsel Ford can say definitely what he will do. He can shift gears, change his whole philosophy of production, of marketing, of life; turn rigidity of mind and method into flexibility which is quick to anticipate public desire and ability to pay. Or he can go back to the beginning, turn out a car so bare and cheap that it ceases to be a luxury and becomes a necessity to be bought—and sold—as such.

The middle course of price cuts is profitless, and not even Ford can lose money indefinitely.

Air Express

Astonishing percentage increase in shipments draws a new competitor into the field, offering Coast-to-Coast service in 18 hours.

AIR express shipments have been growing. In pounds, the total is not astounding, but the percentage of growth is. Shipments in 1932, it is estimated, will run 150% of those in 1931—which, in turn, were twice as great as 1930's.

Aviation interests were not unduly astonished, therefore, when a new service was announced. Philip J. Philbin, Jr., who will not name his backers, began Dec. 12 to give New York–Los Angeles service on an 18-hour schedule. Five planes are used. They are all-metal Lockheed Orions that will do 170 miles an hour with a half ton of freight. The planes have cargo holds, no windows. They are to be sealed at point of departure, opened at the terminus. There will be no service to intermediate points, no stops save for refueling and to change pilots at Wichita.

Railways Express Agency started air express service, with a tie-up over United Air Lines, in 1928; did not push it hard and made little progress until last year. General Air Express, in effect a cooperative organization of the other principal air lines, started this year.

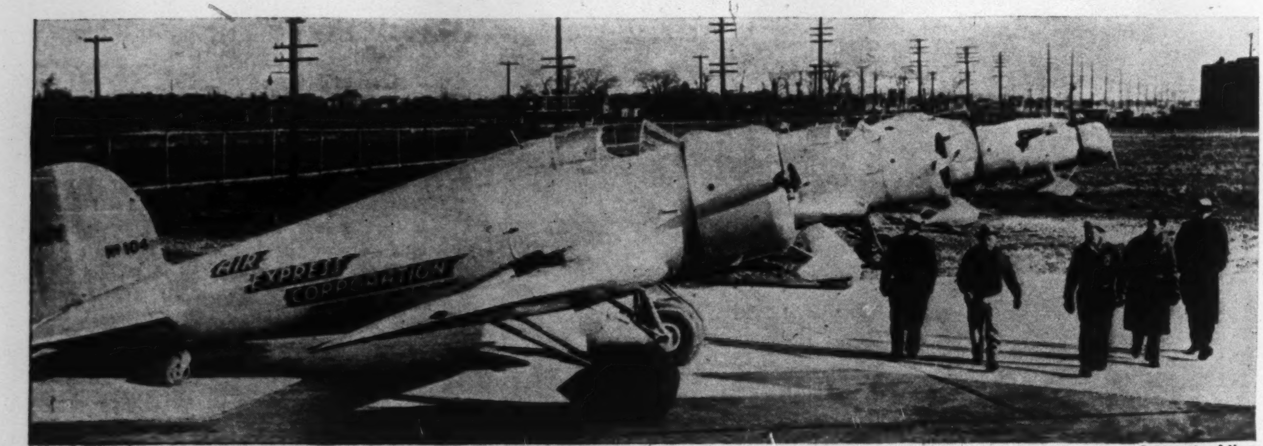
Oil Law

The Supreme Court decision on Texas oil law enforcement won't affect the principle or practice of prorationing.

ARISING in dignity and righteous wrath, the Supreme Court shot a dead horse last week, causing nervous oil men to jump but leaving them otherwise unharmed.

The horse exhumed for the execution was the Texas oil law case involving a federal injunction and the militia. The driver, Gov. Ross Sterling, who was ambushed by Ma Ferguson, was also dead—politically.

Ostensibly, the Court's action was directed against Governor Sterling's use of martial law to restrict oil production. Actually, it was a rebuke for flouting the almighty federal injunction.



International News

AIR FREIGHTERS—These Lockheed ships are to carry express shipments between New York and Los Angeles on an 18-hour schedule. Clyde Pangborn is one of the pilots. The planes have cargo holds, not cabins. They will be sealed at point of departure, opened at the terminus. Stops are made only for refueling, and to change pilots at Wichita, Kansas.

Wide World

ANOTHER DIESEL—The heavy oil burners are coming in for a lot of attention, these economical days, especially abroad. This is the experimental locomotive developed on the London, Midland & Scottish for switching service.

The case dates from the early days of Texas prorationing when such law as there was in the wild East Texas fields was theoretically based on physical waste, administered on the basis of market demand. A federal court, sitting in Texas, declared the prorationing orders invalid for that reason and granted an injunction against enforcement by martial law.

Governor Sterling, however, kept his rangers and militiamen in the field, the wells stayed shut in. A special session of the legislature rewrote the law (*BW—Nov23'32*) to make market demand the basis of prorationing.

Enforcement continues under this new law. The Supreme Court's decision is not expected to affect present prorationing orders or their enforcement because it concerns a situation which no longer exists. Proration orders under the new law are supposedly legal and the "reasonable market demand" basis has been sustained by the Supreme Court itself.

Duco

Basic patents through which duPont sought to bring all lacquer manufacturers under license declared invalid. But there's another suit in progress.

EVERY motor car in America, hundreds of other products from artificial legs to window shades, are coated with nitrocellulose lacquers. The most famous of these is Duco. Just as the Eastman-coined word "Kodak" has become a synonym for "small camera," the duPont-created word "Duco" has become the popular name for all lacquers and enamels with a cotton base.

Indeed, duPont claimed that its patents were basic, sought to bring all other manufacturers under license. Some 35 (50 if subsidiaries are counted) complied, paid, at 4¢ a gallon, $124,320 in royalties to duPont in 1931. Led by Singmaster & Breyer, consulting engineers, some 50 refused to sign up. Instead, they contributed to a war chest to help any of their number whom duPont might sue.

These independents are vastly encouraged and licensed manufacturers correspondingly jolted by the decision of Judge Marcus B. Campbell, of the U. S. District Court, Eastern District of New York, who has just held the duPont patents invalid.

The suit was brought against The Glidden Co., one of the largest in the unlicensed group. Trial of a similar suit against the Jones-Dabney Co. of Louisville has begun in Wilmington, Del. Under patent law, if 2 District Courts in 2 different districts reach the same decision, and if 2 separate Circuit Courts of Appeal sustain these judgments, there is no further appeal. If they disagree the case goes to the Supreme Court, but only if they disagree.

Says Others Came First

Edmund M. Flaherty, inventor, assigned his patent to duPont. The Flaherty patent was held invalid for lack of invention. The judge held that it was anticipated by a British patent issued in 1919—two years before Flaherty's original application—and by U. S. patent issued to Carlson and Thall in 1921. Judge Campbell also found that early work of the Atlas Zapon Co. and the Perry-Austen Co. were complete anticipations. The Perry-Austen Co. sold low-viscosity nitrocellulose lacquers as early as 1914. They switched over to making airplane dopes in war time—are still leaders in that field.

When cotton is treated with nitric acid, the result is nitrocellulose (of which guncotton is one form). Nitrocellulose is soluble. Ordinarily it requires too much solvent to get a solution thin enough to spread. Then when the solvents evaporate, the coating is too thin—there are not enough solids deposited. The problem was to reduce this effect, so that a relatively high content of solids could be dissolved in a solution that could easily be applied to surfaces.

Claimed Product Patent

The duPont patent did not claim invention of a process; at least two different processes can be used to reduce the viscosity of nitrocellulose. It claimed a product patent, not a process patent. In other words, it claimed to be first to discover that use of low-viscosity nitrocellulose made possible the commercial production of lacquers. This claim the court rejected flatly.

Original licensees of duPont included Sherwin-Williams, Devoe & Raynolds, Pittsburgh Plate Glass, Pratt & Lambert, and Murphy Varnish Co. Licensing began early in 1931. The object of the duPont Co. as announced then was to stabilize the industry. The proposal was, if the monopoly could be established in court, to fix prices.

Besides Glidden and Jones-Dabney, prominent independents were the Valentine Co., Lilly Varnish Co., Merrimac Chemical, O'Brien Varnish, Hercules Powder (which is interested as a manufacturer of nitrocellulose) and American Cyanamid.

These have been trustees of the fund collected from independents to resist the duPont claims.

Nitrocellulose lacquers have an interesting history. After the war, duPont, Hercules, and other makers of explosives had big nitrocellulose stocks and huge capacities for the production of the stuff. They were anxious to find peacetime uses. At the same moment, the automobile manufacturers were working hard on the problem of a finish for their cars. Mass production of automobiles was reaching its great days. The closed car was supplanting the touring car. Varnish finishes took weeks, literally. The mere problem of providing floor space for vast numbers of automobile bodies for weeks at a time was serious; the expense of many coats of varnish was even more serious.

Charles F. Kettering was demanding something better, and, the story goes, got his first clue from a lacquered pin tray he saw in a Fifth Avenue shop. He traced the maker to Newark, found he was using a variant of airplane dope.

General Motors, in which the duPont interests were heavy stockholders, naturally turned to duPont for help, and since the needs of one for a market and the other for a product fitted perfectly, they worked together until Duco and the exacting technique for its application were perfected.

37 Days Cut to a Few Hours

Here was an automobile finish tougher and harder than varnish. It went on with a spray gun; it dried instantly. Instead of the 37 days that used to be spent finishing a Cadillac body, and the 21 spent on a Buick, it now takes a few hours. No wonder the entire industry had adopted it by 1926.

The upheaval this caused in the paint, oil, and varnish industry is vividly told in the statistics. From 1921 to 1929, the value of the annual production of the whole industry doubled, and more —from $274 millions to $550 millions. But in that same period, the output of the old types of varnishes increased only from $29 millions to $46 millions.

Nitrocellulose lacquers and the enamels made from them were unimportant commercially in 1921. In 1929, 41 million gallons were used. From 1926 through 1929, production of lacquers increased 120%.

Ad Truth

Between the Federal Trade Commission and a new "Court of Appeals" dishonest advertising leads a harried life.

FAKE medical advertising is still one of America's plagues; fraudulent claims for cosmetic preparations are a close second. All in all, the Federal Trade Commission killed or censored 20,000 false and misleading advertisements in 1932. The cost averaged $57.63 a case. Once more, in its annual report, the commission warns the public that no cream yet known to science will reduce flesh or build it, that wrinkle lotions are sometimes just castor oil—at $2 an ounce.

Shooting at somewhat bigger game, advertisers, agencies, and publishers are organizing a "Court of Appeals" to supervise standards of advertising. There will be 20 members, 5 from each division, 5 not connected with advertising in any way.

Advertisements that violate a recently promulgated code of ethics will come before a "lower court" in the first instance—and the Better Business Bureau has been recognized as the lower court.

Radio vs. Newspapers

The public expects a grudge fight between natural rivals for a big purse, but the insiders know better. It's really newspaper vs. newspaper.

JOHN and Jane Citizen had hardly switched off the set and gone to sleep on Election Night before the Associated Press and the American Newspaper Publishers' Association began to receive vigorous and outspoken protests from newspaper publishers at the completeness and celerity with which the radio had reported the returns.

For years the clouds have been gathering and the weather growing sultry; now the storm has broken. The election job was just the signal—a sort of Sarajevo affair, except that it was extra editions that were assassinated, not a grand duke.

Publishers have seen radio step into the advertising field and grab off millions of dollars of annual revenue; they feel much of it was diverted from them. They feel, too, that part of this has been accomplished by increased usurpation of the newspapers' service function—again at newspaper expense, for most of the news broadcast is gathered by the costly reportorial machinery of newspapers and their news agencies. There was bound to be an explosion, and it has come. The publishers' association has been prodded into action. A directors' meeting Dec. 5 and 6 suggested 8 points of policy on which individual members are asked to express an opinion; the whole matter is likely to be the principal subject of the annual meeting in April. The Associated Press, a little jarred by the vehemence of members' protests against the election night service, decided to poll the entire membership on the question, and thereafter form a future policy.

It sounds like a showdown, and a swell fight. But it is only the singularly naïve onlooker who imagines it to be a fight between newspapers and radio. It is really a scrap among newspapers.

There are 600 radio stations in the United States. Of these, 97 are owned or are corporately affiliated with newspapers. There are 12 more applications for newspaper control of existing stations pending before the Radio Commission, and new applications are coming in at the rate of one a week. There are 13 stations in Canada, 1 in Mexico, 1 in Cuba, owned by newspapers. These figures, by the way, are new. The extent of newspaper interlocking with radio never has been revealed before, and it was dug out of the records by the research of *Broadcasting* and the initiative of Martin Codel of that publication.

And even the bare figures, impressive as they are, do not tell the whole story. The newspapers which own or lease radio stations are, broadly speaking, the most powerful ones, and the stations which they own or control are, broadly speaking, among the biggest and best. New York City, by the way, is rather the exception in this respect.

Of the 14 directors of the American Newspaper Publishers Association, 6 own radio stations. No wonder the directors' meeting was semi-officially described as "hot"; no wonder it took 2 days to get the resolutions through, and no wonder the resolutions were an amusing mixture of criticism and approval.

Said a statement issued from the meeting: "Since newspapers have a tendency in the present situation to divide into two groups as to a line of thought, namely, the publisher who has no radio station, and the publisher who owns a radio station, and also a number of publishers affiliated with stations whose ideas are divided as between the two major groups, we have tried to find a common ground upon which these two groups of publishers may unite to present a coordinated and unbroken front in the controversy over the radio."

Quite so.

Rayon Wool

British Celanese goes into quantity production of new textile.

TECHNICAL advance in the manufacture of rayon proceeds rapidly, not all on one side of the Atlantic. British Celanese, Ltd., announces quantity production of artificial wool for this year; machinery is now being installed.

The same company announces yarns of higher viscosity than heretofore produced, so that they will withstand wear and washing better. It has developed acetate yarns which will take the regular dyes, which is a startling change; acetate yarns heretofore have required special dyes. Fibers stronger than pure silk also are announced.

Employment

Model survey conducted in Buffalo, N. Y., has traced down-curve for 4 years.

EMPLOYMENT statistics, taken by and large, do not enjoy a good repute among scrupulous statisticians. They are hard to collect, difficult to interpret, susceptible to prejudice. Knowledge of these facts has attached special interest to employment studies known to have been prepared with unusual care to arrive at accurate results. Most studies of this kind are conducted on a small scale with an exceptionally large organization.

Outstanding is the annual survey of employment in the same selected areas of Buffalo, N. Y., carried on in each November of the last 4 years under the direction of Prof. Frederick E. Croxton of Columbia University aided by more than 200 students of the State Teachers' College at Buffalo and the University of Buffalo.

This year's findings, compiled from over 10,000 house-to-house visits, just released by Industrial Commissioner Frances Perkins of New York State, are being widely studied, compared with previous years' figures.

They show that, among 14,909 persons of both sexes willing and able to work, 46.3% were fully employed, 22.5% were working part-time, 31.2% were unable to get jobs. Among the men the percentages were 44% on full-time, 23.4% on part-time, 32.6% jobless.

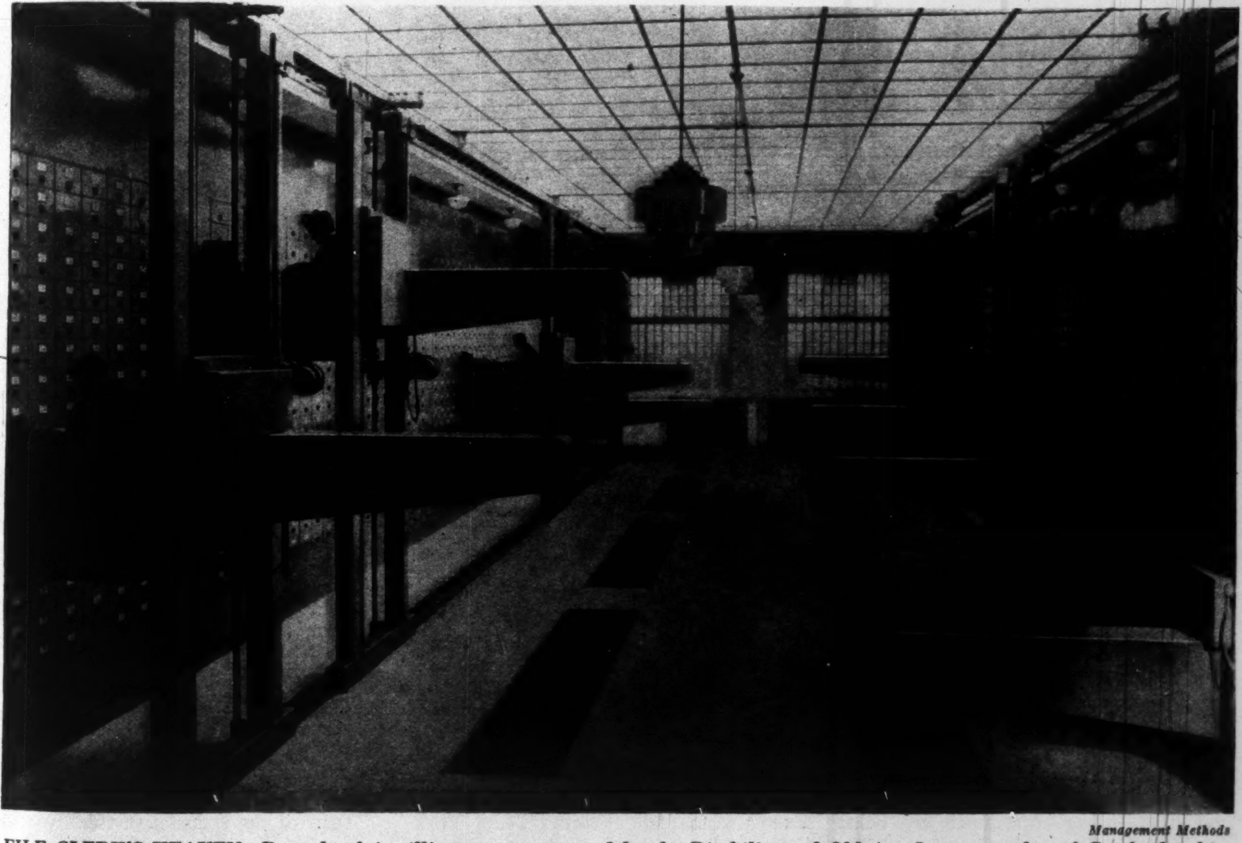
Comparisons show the growth of unemployment in this area. Of each November's total of men willing and able to work, those who could not find jobs constituted 6.2% in 1929, 17.2% in 1930, 24.3% in 1931, 32.6% in 1932, making the proportion of males who were jobless in 1932 one and one-third as great as in 1931. Of the same totals those employed part-time made up 7.1% in 1929, 18.6% in 1930, 23.3% in 1931, 23.4% in 1932.

Unemployment had been of considerably longer duration in 1932 than in 1931. Of the men who could not find work four-fifths had been out of jobs 10 weeks or more in 1931, nine-tenths in 1932. Unemployment had lasted a year or more for two-fifths of those out of work in 1931, for three-fifths in 1932. A little more than one-third of the men who reported themselves out of work in 1932 had been unemployed two years or more.

Job Insurance

Bay State Commission says employers should be expected to carry the load.

UNEMPLOYMENT persists. So does pressure for job insurance. Following participation of 6 Eastern industrial states in the Interstate Commission on Unemployment Insurance (*BW—Feb24'32*), an Ohio committee suggested that state should join Wisconsin in setting up funds for the workless. Now a Massachusetts commission reports to the legis-



Management Methods

FILE CLERK'S HEAVEN—Records of 4 million persons covered by the Disability and Old Age Insurance plan of Czechoslovakia, about 27 million cards that have been accumulating since 1926, are filed in this room in Prague. Clerks sit in electrically operated cabs that rise or descend or travel from side to side at the touch of a button. Drawers open by the touch of a foot pedal. Drawers are nearly 11 feet deep, are made of steel, roll on 8 ball bearings. This last word in modernity of file equipment has cut down the number of employees necessary; eliminated miles of walking.

lature a broad-scale plan and bill to help stabilize workers' income. Large issues are involved.

The Massachusetts measure differs from the Ohio plan in important details. Ohio suggests contribution by both employer and employee (*BW—Nov23'32*). No, says the Massachusetts commission. The worker takes enough of a licking when his pay is cut off. All payments should come from the employer.

The commission recommends that employers contribute to an unemployment reserve, administered by the state, starting with 2% of wages for employees getting $1,500 or less a year. After the reserve reached $50 per worker, requirement would be cut to 1% of wages, to remain there until the fund equaled $75 per capita or more. If the bill passes, payments into the fund will begin July 1, 1934.

Tided Over for 10 Weeks

Four weeks after losing his job, the worker would receive half-pay up to $10 a week for not more than 10 weeks a year. Accounts would be separate for each employer; when his fund was exhausted payments to workers would cease until replenished. Employers would be allowed to substitute their own relief plans if benefits equaled those above. Firms employing fewer than 10 persons, farmers, other special categories would be exempt.

Massachusetts has had its bank failures. To prevent the entrapping of unemployment funds in future crashes, the commission would ask Congress to amend existing laws so that accumulations could be deposited with a Federal Reserve Bank at a nominal rate of interest. Until that time funds would be put into government bonds.

Personnel of the commission made a liberal program inevitable. Stanley King, president of Amherst, was chairman. Other members were President Compton, of Massachusetts Institute of Technology; President Moriarty, of the State Federation of Labor; State Labor Commissioner Smith; Joseph Lafontaine; Henry P. Kendall (liberal textile manufacturer), Henry S. Dennison (who has long used unemployment devices in his company).

Copper

Thin, continuous sheets open new market vistas for the red metal.

CONTINUOUS sheets of copper, thin as paper, free from pinholes, very smooth, and of pleasing appearance are being displayed by Anaconda Copper Co. The new product opens upon a field for the use of copper so big that possibilities have not yet been fully surveyed.

One use immediately suggested is roofing. Backed with a tar fabric, the new copper sheeting can be cut with scissors and applied to roofs at a minimum of expense. The copper sheeting weighs one ounce to the square foot, greatly lessening the weight of a roof, yet offering the familiar advantages of copper—indestructibility, imperviousness, fine appearance. As a sheathing, impervious to wind, it offers great possibilities and various uses as a lining are suggested.

The copper is deposited by electrolytic process on a revolving drum, and stripped off in widths up to 50 inches and any length desired. It rolls up like paper for shipping.

The idea has been worked on for a long time; the trouble hitherto has been pinholes. This has been conquered.

Commodity Rings

The 4 in which New York brokers trade in rubber, silk, hides and metals futures may be combined on 1 floor. Object, economy.

IN 1929 when business was better and consolidations were both bigger and better they talked expansively about putting most of New York's little commodity exchanges under one roof like Chicago's Board of Trade. In 1932 when business is worse and consolidations are so often merely alternatives to extinction there is again merger talk on Hanover Square.

This time it's a proposal to unite the 4 exchanges set up since 1925 to deal in the futures of rubber, raw silk, hides, and metals—the latter meaning tin, rarely copper, and most of all, silver. These are the old square's boom-children which—if they seem reasonably healthy to the 30's—have still never quite grown up to the roseate expectations of the 20's.

The Motive Is Economy

Motive, of course, is economy. In union there is thrift. In this union there is a promise of trading 4 rents, sets of operating expenses, dues payments and floor employees for 1 of each, particularly tempting to commission houses that deal on all 4 exchanges at present. Further economies are possible in the consolidation of clearing houses, though for some time past silk, hides, and metals transactions have been cleared under one roof with expenses shared by the 3 exchanges involved. Jerome Lewine, president of the National Raw Silk Exchange and chairman of the general committee to effect the merger, foresees for the new exchange "a position of great prestige and importance in the commodity and financial world."

For the time being this program leaves out of account such oldsters as the New York Cotton Exchange and the New York Produce Exchange, both sexagenarians; the veteran New York Coffee and Sugar Exchange (born 1882); and the New York Cocoa Exchange, which began to stand on its own feet in 1925, a few months ahead of the Rubber Exchange, first of the quartet which is now proposing close harmony.

The latter group was largely the creation of Julius B. Baer, New York commodity-exchange lawyer and co-author of a well-known treatise on "Commodity Exchanges"; of Mr. Lewine; of Francis R. Henderson, great among rubber traders; and of J. C. Cuppia, partner in the brokerage house of E. A. Pierce & Co. On the promise of the "new era" (for commodity futures as for everything else) they set up in succession the Rubber Exchange of New York (1926), the National Raw Silk Exchange (1928), the National Metal Exchange (1928), the New York Hide Exchange (1929).

For 6 months of 1929 and 1930 the quartet was a quintet, but their Burlap and Jute Exchange fell before the opposition of the 3 firms which control most of the business that it sought to serve. Until the delights of speculation in silver were discovered, the National Metal Exchange—really a reorganization of the moribund New York Metal Exchange—was threatened with similar difficulties. Tin has been but lightly dealt in outside of London, and Copper Importers, Inc., has held a discouraging thumb on the price variations of red metal.

Final action on the consolidation plan is up to the membership of the 4 exchanges. The economy argument is certain to appeal in times like these. Furthermore, many of the 973 members who will be represented in a merger trade on more than one of the exchanges. And, since times like these are often dull times, it will help to be able to move from an idle post to a less idle one as fortune and the turn of the trading dictates.

"Turn of the speculative tide" would be a misleading phrase, for, of course, much of the business of these exchanges is not speculation in the Congressional understanding of that term. Industries that buy, process, and, at some later

Wide World

THEY TALK FOR FARMERS—Officers of the American Farm Federation Bureau, at the annual meeting in Chicago. Left to right are M. S. Winder, executive secretary; Edward O'Neal, president; and Charles E. Hearst, vice-president. Representing the largest group of farmers, they will exercise considerable influence in Washington on any farm relief legislation.

date, expect to sell the commodities they deal in use their facilities for hedging operations for the express purpose of limiting speculative risks. The gentlemen who gather around the trading rings for the morning call when the posting of opening prices adds a little excitement to days grown stale are gravely aware of this. And if they occasionally unbend to engage in the traditional exchange jape of pouring water down an unsuspecting brother's neck, they nevertheless take themselves with corresponding seriousness.

Farm Relief

Some form of emergency legislation is likely to be forced through the short session but it will probably not be anything comprehensive or fundamental.

HEARINGS on farm relief measures have begun promptly because agricultural conditions are becoming increasingly serious and pressure for action is being applied by farm organizations, unofficial farmers' marches, insurance companies and other farm mortgage holders, chambers of commerce, and influential business men. Farm relief, all forms, is now the first order of business before Congress, but prospects for effective action are not promising.

The domestic allotment plan, in various versions, is being pushed, presumably with back-scene support from Roosevelt who endorsed something of the sort in his campaign. It probably can't pass this session. The farm organizations are divided over it, and will soon powwow to find some compromise on which they can unite. The allotment scheme grows more complicated the more it is considered; skepticism about it has increased; unified support for it diminishes; the House is for it in a general way, but the Senate against; and in any case Hoover will veto. The 3-way plan for passing the buck to the Farm Board, authorizing it to use the allotment device, equalization fee, or export debenture *ad lib* is dying off.

The board is not in Congressional favor, though it is looking for more work and more money and may get the job of administering any surplus control relief scheme finally adopted. In a special report to Congress last week it suggested trying the allotment plan, which incidentally would give it the biggest bureaucratic job in the world, planning the production and keeping the books of 2 million farmers. It also suggested that it be permitted to loan to co-ops for purchase of farm equipment and supplies, an important thing for businesses selling to farmers to watch. In line with this it asked for more money to loan through its revolving fund, thereby exposing the interesting results of its stabilization and other operations so far.

These results may be summed up thus: The Board started with $500 millions and earned about $10 millions in interest on co-op loans, making $510 millions to play with.

It lost $300 millions on wheat and cotton stabilization (which it estimates as the net gain to farmers from these operations). That leaves about $210 millions, of which it has left about $23 millions in cash and about $15 millions coming to it from Congress for wheat and cotton turned over to the Red Cross. The rest, about $170 millions, is outstanding in loans to co-ops on various commodities, and it figures that about $140 millions of these loans are good if Congress will permit it to compromise with delinquent debtors. Total net loss around $330 millions; net assets about $180 millions.

This will not encourage further appropriations for the Farm Board revolving fund. Pressure for quick action on farm relief this winter will rather turn in two directions. First is liberalization of R.F.C. legal restrictions to enable it to finance exports of surplus farm products on government credit by relaxing security requirements. The theory is that this would have quickest effect on farm prices, which will be the main object of short session farm relief legislation, if any. Direct domestic price-fixing by federal licensing of commodity dealers may be suggested, but will be considered too drastic for the present, though possible later.

Second, along with price raising by federally financed exports, relief of farm debt situation will certainly be attempted. As the quickest scheme, attention is centering on a plan to give the Federal Land Banks a large amount, maybe $250 millions, to finance extensions of mortgages. This will go part way in meeting the farm mortgage problem, but will not help farm debtors whose mortgages are held by others than Federal Land Banks. The latter cover only about $1 billion out of the $9.2 billions total farm mortgages outstanding. The Joint Stock Land Banks are preparing a plan to consolidate themselves with the Federals and refinance the whole by a new issue of guaranteed Federal Land Bank bonds, but the probabilities are that the weak Joint Stocks will be let go through the wringer.

Behind all specific farm relief moves there is rapid mobilization of farm sentiment for more comprehensive action to raise general price levels either by direct inflation or by devaluation of the dollar. Two of the 3 national farm organizations went on record for devaluation in recent conventions.

Insurance Men March

Keeping up with the times, they are offering new policies to meet new hazards, capitalize fresh opportunities.

WHEN large authoritative gentlemen rustling with papers began to bear down on New York's Pennsylvania Hotel last week, alert metropolitan news scouts identified them en masse as the National Convention of Insurance Commissioners. Reportorial typewriters pounded out the warning that they were about to discuss "such problems as 'chain control' of stock life insurance companies, compensation rates, interlocking directorates, legislation and the recurring question of security valuation." All the insurance world whose destinies they rule stopped to listen.

Those who listened closest, in the lobbies as well as in the convention hall and down in William Street where insurance is king, heard of more than these important but well-rowelled topics. Time, which is of the essence of the insurance contract, has brought changes to this ancient and most alluring of speculations. Some of them are attributable to the depression, some to the progress that rides with and must eventually ride down depression. Discussion of these changes, stirred up by the news from the Pennsylvania Hotel, centered on:

Radio Insurance

(1) Chrysler's $500,000 insurance against interruption of his 90-minute Plymouth Radio Business Conference broadcast over the Columbia network on Nov. 1. National Surety Co. collected the premium, agreed to compensate the motor manufacturer for every minute lost to him and his listening dealers and prospects through failure of network equipment, S.O.S. calls, or similar emergencies. Insurance men thought other radio users would follow suit, perhaps not on routine programs but whenever they plan a stunt as important as launching a new car.

(2) Racket insurance, which in the same clause covers loss and/or damage from riots, revolutions, and labor disturbances. Lloyd's, which is still the great experimental laboratory for policies too new for approval by the gentlemen at the Pennsylvania, lumps them all together. Business men pay premiums instead of protection money, pick up compensation when "pineapples" drop in their windows. Insurance enthusiasts are voluble about the discouraging effects on gang activities; more discreetly urgent about the timeliness of protection against riots and labor disturbances. Policies covering merchandise stocks rate an annual premium of about 1% of inventory. When Lloyd's writes them it throws in Pinkerton operatives for threatened customers.

(3) The effect of insurance on simplifying business operations, stepping up business efficiency. For instance, jewelry is too expensive for wholesalers to carry a full line. But if a wholesaler can't supply a specified item, he knows where it is, gets it on memorandum or consignment from another specialist, ships it to his retail customer. If it doesn't fill the bill it comes back and he tries again. Jewelers have always done this, but it's risky business. Now "jewelers' block policies" protect the diamond or what-not through all its travels. Insurance men predict similar policies on other types of merchandise, promoting business cooperation, making it possible for business men to specialize to a greater degree, cut down individual inventories.

(4) Stiffening rates on bank robbery policies. The National Bureau of Casualty and Surety Underwriters has just

Wide World

MORE UNEMPLOYMENT RELIEF—Democrats at Warm Springs, Ga., and 10 to 1 they're talking about jobs. Bennett Champ Clark, senator-elect (Mo.) (left); Senator Huey (Kingfish) Long (La.) and Jim Farley, Postmaster General-suspect. Standing, Robert Jackson, secretary, Democratic National Committee (left) and Frank C. Walker, treasurer.

led that such policies will hereafter limited to one-year coverage instead running up to 3 years, that premiums all be higher for the first $10,000, at companies may write a new low-te policy for banks that will agree stand the first $10,000 of loss by rglary.

Suicide Policy

(5) Suicide troubles. Compilations or the first 10 months of each year, resented to the Association of Life nsurance Presidents last week by Dr. ugustus S. Knight, medical director of letropolitan Life, show that the suicide te per 100,000 (ordinary business) ose from 17.7 in 1922 to 39.9 in 1932. Up to 1929 the increase was never more han 1 or 2 a year, with an actual decline etween 1924 and 1925. In the 3 years ince 1929 it has jumped 5.7, 3.9, 5.3. This is bad news for insurance, but the roverb about the ill-wind applies even ere. Typical application: One agent eports a customer who had an estate oming to him at 40 and found himself roke at 35. He borrowed from the ank on the strength of his inheritance nd insured his life in favor of the ank for the amount of the loan. The bankers had been reading the figures so they suggested another policy insuring them against loss if he committed suicide while the 1-year "suicide clause" of the first policy was operative. The insurance agent got the premium.

(6) Development of the first nationwide rating for occupational diseases which the National Council on Compensation Insurance will needle into workmen's compensation insurance on Jan. 1. After long study a definite hazard rate has been worked out for certain of the more common diseases in 134 occupations. Included are silicosis, asbestosis, anthrax, lead, benzol, chrome and mercury "poisoning," caisson disease, and injury from radioactive substances.

Investment Values

While insurance men talked in the hotel lobby, on William Street and in many an office throughout the country the Insurance Commissioners efficiently dispatched their business and departed homeward. Most important decision: To continue "convention values" of company-owned securities for another year. This means that fire, marine, casualty, and surety companies making up financial statements as of Dec. 3, 1932, may enter their stock investments at market quotations of June 30, 1931, though subsequent declines have left the averages only half as high today. Bond investments will be carried at amortized values. Insurance men are hopefully willing to believe that present quotations do not reflect good judgment or forecast long-term prospects. Commissioners know that it's no time to dash such hopes.

The march of
RETAIL TRADE

In 1799, Wall Street was New York's fashionable retail section. Today Fifth Avenue is one of the world's great shopping centers. In 1799, a director of The Manhattan Company —William Edgar—conducted a mercantile business at No. 7 Wall Street. Today some of the directors of this Company are directors in great Fifth Avenue stores.

The march of business in America—retail, wholesale, industrial—covers only a little more time than does the history of our parent Company.

In the case of a bank, such history is not mere "background." A long history indicates stability.

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LAST STONE—Flag bedecked, the last building stone swings into place on the RCA building in Rockefeller Center, New York City. It is, if you go in for superlatives, the largest office building in the world, one unit in the biggest building operation ever undertaken by private capital.

Housing

New York's law, the only one under which R.F.C. aid can be had, fits only New York conditions. Other states, say realtors, should not copy it blindly.

ENTHUSIASM is not universal for the slum-clearance housing projects which the R.F.C. is specifically permitted to aid and which it is patiently anxious to foster.

Opposition, of course, is from affected interests—investors and dealers in real estate, financial institutions holding real estate mortgages. Even so, their arguments deserve consideration on their merits.

New York state at present has the only law under which R.F.C. aid can be extended; its statute provides the necessary housing commission to approve projects, and provides for the organization of the required limited-dividend corporations. Hence New York interests are the most vocal in opposition to the 5 projects already approved by the housing commission and submitted to the R.F.C. with requests for $72 millions in loans.

New York City real estate men's objections to these specific projects are that the city already is overbuilt, with thousands of vacant apartments of all price ranges. The effect of building 5,000 new apartments will be to increase vacancies and depreciate values on older buildings, it is argued.

To which the slum-clearance proponents reply that they will raze thousands of bad old apartments; perhaps almost as many as they build. As to depreciating values, it is contended that on the contrary, the erection of the new model tenements will improve neighborhoods and increase values for blocks.

Much broader and more fundamental are the criticisms voiced by Herbert U. Nelson, executive secretary of the National Association of Real Estate Boards.

There is a concerted movement, he says, to hurry other states into passing laws like New York's so that R.F.C. loans for housing projects may be obtained before the final date, Jan. 23, 1934. But the New York law, he points out, was drawn to fit New York City, which has its own topographic geographical, social, and economic co ditions, so distinctive as not to be a proximated in any other American cit

As objections to large-scale housin projects on the New York plan, h enumerates:

(1) Danger of concentration of po ulation to an undesirable degree—128 000 to 160,000 to the square mile a against 30,000 in Chicago's notorio Hull House district.

(2) Such projects are imposed fro above, do not originate in neighborhoo desire for rehabilitation.

(3) Existing property values are a fected adversely.

(4) Instead of becoming cheape with increasing size, overhead on mu tiple housing operation obeys "the tele phone law"; costs of service rise faste than number of units served.

(5) The same money put in detache dwellings would house more persons give larger rooms, provide yards, etc

(6) There is general misrepresenta tion that the projects are to provid better housing for the very poor. Th slum dweller in New York pays abou $4 a room for rent; the new housing projects contemplate a minimum renta of $8 a room. There is some experienc to show that such projects produce a building "in which those for whom i is designed cannot afford to live and which those who can afford to live in it will not care to occupy."

Loan Recommendations

The association, through its housing committee, Edward A. MacDougall (New York) chairman, has asked the R.F.C. to make housing loans on these conditions:

(1) That there is a reasonable need in the locality for the housing.

(2) That the land be subordinated to the government loan.

(3) That the plans for construction make adequate provision for light and air, and that sanitary and construction provisions be in accordance with up-to-date specifications and requirements.

(4) That the rent for the rooms be established at that prevailing in the neighborhood, and from the gross expenses there be the following deductions: (*a*) Operating expenses; (*b*) taxes; (*c*) interest on the government loan.

The association also insists there should be as rapid amortization of the government loans as possible, up to 50%, the rest to be privately refunded at the earliest practical date. Further, it insists costs should be carefully computed.

Slum clearance will be one of the principal topics at the national convention of the Association to be held in Washington in January. The association has invited leading authorities to prepare and submit a sound plan.

Vide Reading

EBELLION IN THE CORNBELT. Mary ton Vorse. *Harpers,* December. "The ers' strike has emerged from a local er to one which aims to involve 2 mil- people in the embargo. A militant ners' movement is inevitable." A keen ic of social trends appraises the recent up- in 10 Middle Western states.

EDICAL CARE FOR ALL OF US. Haven erson. *Survey Graphic,* Dec. 1. An en- issue devoted to the report of the com- tee which has studied medical costs oughout the country. Discriminating lysis and criticism by a magazine which ws the field thoroughly.

932 OIL BURNER ADVERTISING DISCARDS IDEAS AND STRIP FOR ACTION. D. M. nk. *Printed Salesmanship,* November. ne are the luxurious settings of yesterday. their place is hard-headed selling copy.

HY WE WOMEN WON'T BUY. Cath- ne Hackett. *Forum,* December. Quality is ne; bargains are faked. Relief is ineffec- . The solution to today's problems is yet found.

HE RAILROAD DEBT PROBLEM. Ernest T. ugh. *Barron's,* Nov. 28. Fixed charges st be reduced. Conditions which make s move necessary.

ASKS CONSUMERS FOR A VOTE OF CONFI- NCE—AND GETS IT. *Printer's Ink,* Dec. 1. e manufacturer asked customers to vote on question of reducing quality—and found public wanted better merchandise, for ich it was willing to pay.

MR. MELLON'S PITTSBURGH—SYMBOL OF RRUPTION. Walter W. Liggett. *Common se,* Dec. 5. "In the Mellon barony of tsburgh, corruption and scandal still pre- il, with the Mellon machine maintaining hold despite investigations, indictments, d even conviction." First issue of a new blication devoted to "the interests of the merican people, the facts behind the news, exposé of the stupidity and corruption of r present rulers."

OBSOLETE MEN. *Fortune,* December. An amination of technological unemploy- nt in the light of the machine that makes 0,000 needles a day, the machine that turns t 40,000 bricks an hour, and the machine at switches 1 million freight cars in a ar. Interesting, if not highly significant, scussion of technological unemployment.

WHICH WAY GERMANY? Ludwig Lore. *ew Republic,* Nov. 30. Economic aspects Germany's one-year plan. An attempt to ake the laborer pay for revival will fail less the old landlords are made to pay in oportion to their wealth. Unusually lucid scussion.

EUROPE'S ANTI-SOVIET BARRIER. Robert achray. *Current History,* December. A ose observer reports on the psychology of e Soviet Union's western neighbors, de- ares they no longer fear Moscow.

MAKING HARD TIMES BRING TENANTS. *ation's Business,* December. When owners f old buildings in Oakland, Calif., found nters slipping away to occupy newer struc- ures, they adopted a program of remodeling hich cost some money but brought a profit- ble return.

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Your business too has its special needs, and these must be taken into account when considering any life insurance program to cover your key men. This is just what an Equitable representative does. Trained in applying the Case Method, he will give you information and suggestions best adapted to the conditions of *your* case. Then, if you like, he will outline a definite and effective program.

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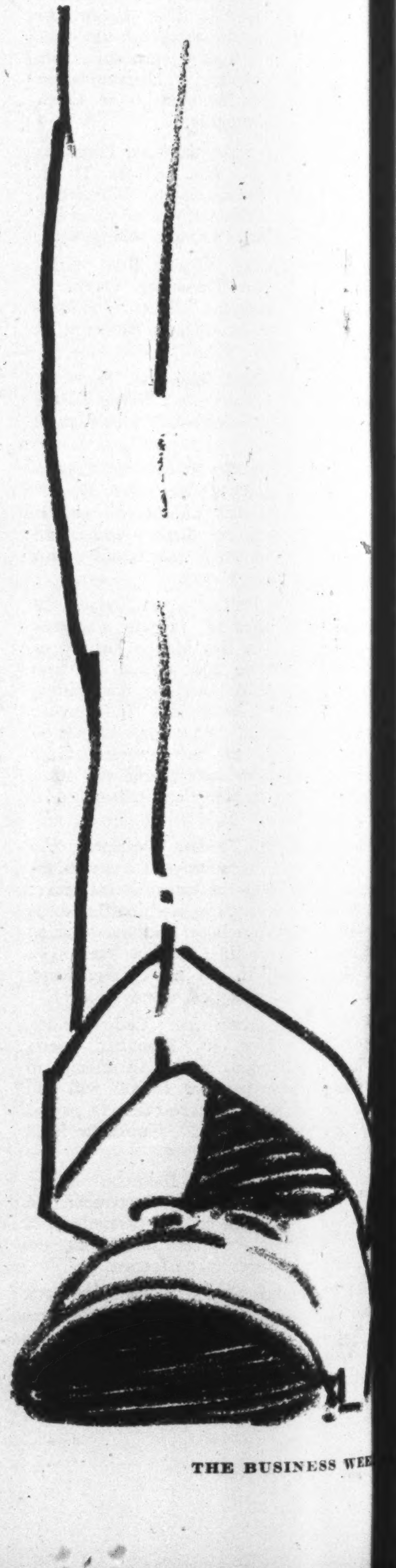

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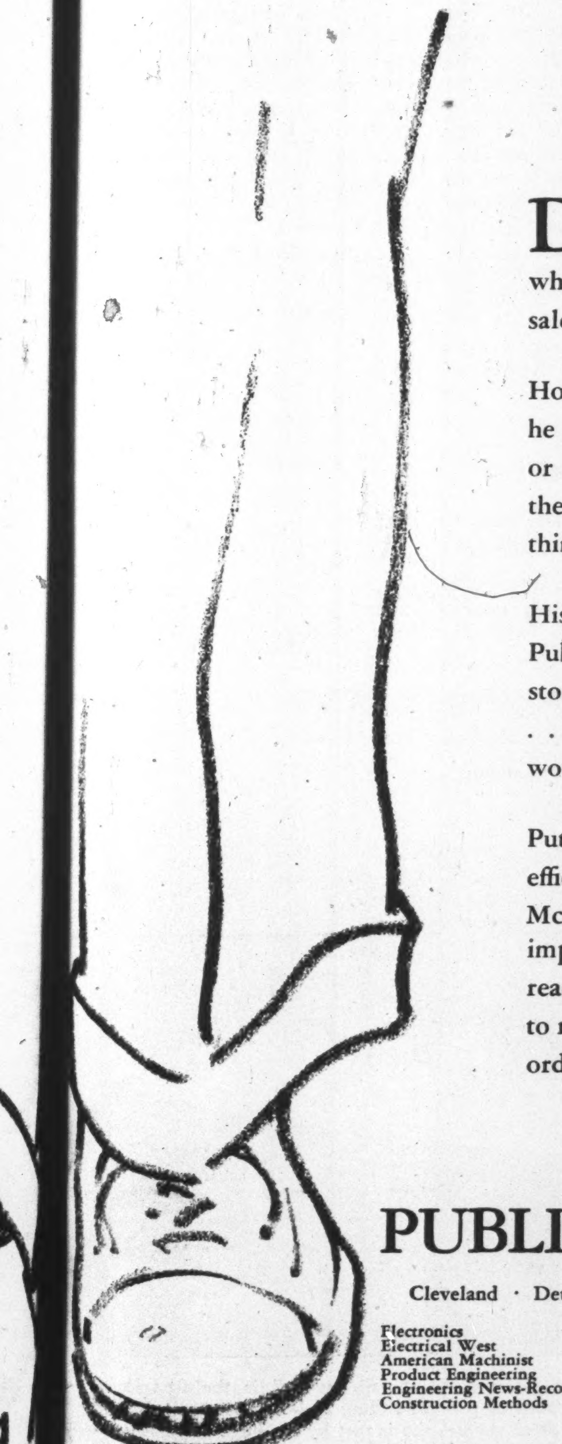

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Aviation
Textile World
Factory and Industrial Management
Maintenance Engineering
Power
The Business Week

More Persian Oil

London will fight for its oil concession in Persia if necessary, but that is hardly expected.

SWELTERING crews on British tankers wallowing up the Persian Gulf to Abadan or Mohammerah last week were on the lookout for British gun boats. That would be a sure sign that the trouble over the Anglo-Persian Oil Company had come to a head.

The only British man o' war yet on the scene, however, was tied up at a pier at the head of the gulf. "Attacks by the Persians" were confined to a few desultory fights outside the offices of the company at Abadan and pilfering of property at the wells in the interior of the country.

Britain Answers

The real fight was in London. When the House of Commons got down to the task of dealing with the brusque note from the Shah, it did a thorough job. His Majesty's government finally notified Teheran that 7 days would be allowed for Persia to reconsider the proposal to cancel the Anglo-Persian contract. If in that time Persia still refused to come to terms, Britain would undertake to police her properties in Persia with her own marines. And the case would be taken to The Hague.

Rumors started to flow from any number of sources. Diplomatic intriguing in the affairs of Persia has been almost a pastime of governments for years. The British got into the scramble as long ago as the time of Napoleon when someone worried London with the report that he was likely to attack India through Persia. Matters perhaps came to a climax just before the World War when Britain virtually controlled all of southern Persia and Russia all of the northern area. The British were taking oil out through the gulf. A Russian had been granted a concession to exploit the oil region up near the Caspian Sea. Later, when the Persians refused to recognize the validity of the Russian's claim, he secretly sold it to Anglo-Persian. Naturally, when the Persians offered this northern concession to American interests, Anglo-Persian protested. Both Sinclair and Standard Oil of New Jersey were bidding for it. It was never settled.

Americans in It

In the present controversy, it is no surprise that both American and Soviet interests should be accused of "meddling." Did not an American financial commission absolutely control the finances of Persia a few years ago with the full consent of the present Shah? And have not Moscow and Teheran exchanged diplomatic calls within the year?

If the British are largely to blame for the present predicament, they at least admit it. There was many a frank discussion in London during the week. And there was close scrutiny of the reports on Anglo-Persian oil. The *Economist* summed up the trend of British thinking: "Royalties from the company comprise Persia's chief source of national revenue, and therefore one in which a measure of stability is important. Far from having obtained this, the record of its fluctuations in the last 10 or 12 years resembles a fever-chart, with receipts ranging from £1,410,000 to £130,000." London, from the officials of the Anglo-Persian to the man in the street, is ready to adjust the contract. It remains to be seen if the British are willing to go far enough to meet the demands of the man on the Peacock Throne at Teheran.

British Bessemer

Big British company plans mill to make Bessemer steel for tubes.

WHEN Queen Victoria told a little group of steel men that the British needed bigger and better cannons if they were to maintain supremacy on the sea, He Bessemer took it very seriously. went back to his laboratory and eve ally turned out a product sufficie refined to give his country a jump Continental rivals. Three years la ironclad ships set the styles in nav Bessemer was knighted.

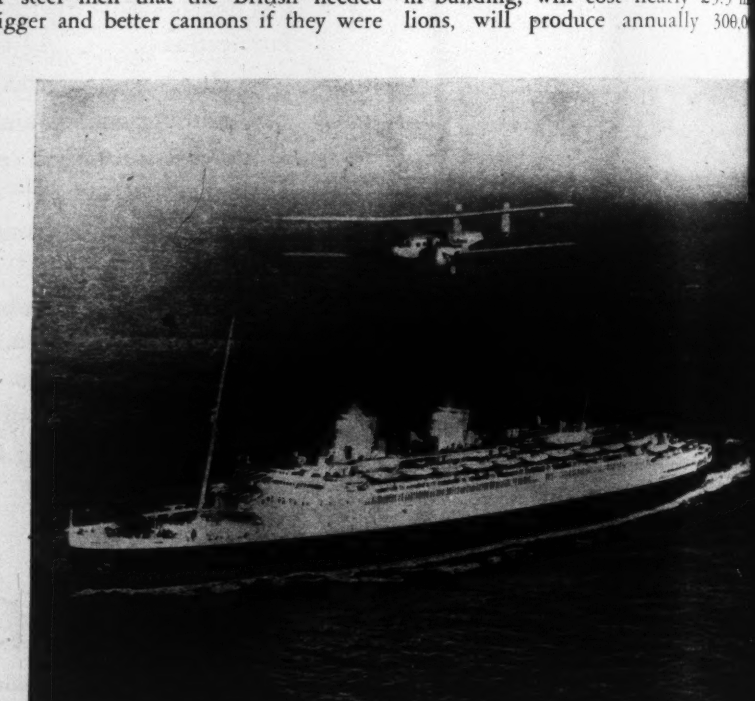
British engineers were too conser tive to go in for Sir Henry's expens new process very promptly.

Not so a struggling young steel dustry in the United States, eager any new invention which might giv a competitive edge on European put. Bessemer's process was adopt Production in this country soon distanced all European rivals. The B ish finally gave up in the competiti went in for the newer refined op hearth process.

Important Announcement

Last week one of the largest units the British steel industry—Stewarts Lloyds, Ltd.—announced that it wo build a large new plant to produce st under the Bessemer process. Si Stewarts & Lloyds control 22 iron a steel factories scattered through Engla and Scotland, and since they prod nearly four-fifths of all tubes made Britain, the trade gave some attention details.

The new plant will be built in Nor amptonshire in the heart of large u developed ore beds. It will be 2 ye in building, will cost nearly £3.3 m lions, will produce annually 300.0



Wide Wo

STABILIZED—Italy's newest, the "Conte di Savoia," is the first liner to b equipped with gyro-stabilizers to prevent rolling in heavy seas. Arriving in Ne York harbor after an eventful voyage, she is met by the huge 18-passenger Curti Condor, first stabilized ship of the air.

ns. Since basic Bessemer steel is condered less reliable than the open hearth roduct, it is assumed that Stewarts & loyds will use it largely for tubes, xpect to absorb most of the output in e great industrial Midlands, will be etter able to meet foreign tube competition due to lower costs of production.

Bartex"

ritishers propose new exchange nit to be based on goods rather han gold.

BARTEX" has become a candidate ror a lace beside the dollar and the pound erling as a great international unit of xchange. In fact, it could replace both f them.

The London Chamber of Commerce nd the Association of British Chambers f Commerce are proposing that a new nit of exchange be established based on oods rather than on gold or silver. he system, as proposed in London, volves the establishment of clearing ouses in various nations to handle ookkeeping. The international value f the "bartex" would be fixed in the entral bank of each country.

The procedure then would work omething like this. A seller in Austria, or example, would draw on the English buyer for the invoice value of the oods in bartex, passing draft, attached o documents, through his central bank, hich would pass it to the bank in ondon. The English buyer would take p the documents by payment of sterng equivalent at the current rate of xchange. The British bank would hen remit the bartex to Austria and he Austrian sellers would receive schilng against it.

Should the trade of Austria be of ch a nature that sales to Great Britain ere vastly greater than purchases from e British, the consequent bartex would ccumulate in Austria and automatically corrective would immediately operate nding either to reduce the volume of ustrian sales to Britain, or to increase e volume of Austrian purchases made ith British firms.

One Real Drawback

The chief criticism of the plan is that artex would be negotiable only beween the 2 countries concerned in a rticular transaction. One nation would ave to buy as much from another as it old to it.

With foreign exchange restricted in 5 countries, however, the plan may ceive some consideration. Londoners re not inclined to favor it though they re aware that it might be made the basis for discussion at the coming world conomic congress. Perhaps it would draw out suggestions for something more practical.

1933 Profits
will go to
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For a few days, your system *may* miss its caffeine. After that, you'll feel steadier, calmer,—and you'll still have all the healthful refreshment and flavor of that grand drink, coffee.

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BWK 12-21

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Offices in other principal cities. *Agents everywhere*

Copper Still Has Hopes

New York conference of world copper leaders broke u without agreeing to any plan for curtailed productio orderly marketing. But authorities look for new neg tiations, no serious breakdown of the present agreemen

WORLD copper executives got nowhere at their conference in New York last week, but hope of reaching a new understanding is not lost.

The meeting, it should be recalled, was summoned to accomplish 3 things: (1) Agree to continue some production curtailment plan (this year's 20% of capacity, or some new adjustment); (2) plan to control present heavy surplus stocks (75% of which are held in the United States); (3) attempt to stabilize world prices at a reasonable level (*BW—Nov23'32*).

The conference never got beyond the first point. One of the British producers of African copper—Roan Antelope—asked for a larger quota, said last year's basis for computing quotas was unfair to it inasmuch as it was scarcely getting into production when the last conference was called. Roan Antelope officials reminded the conference that they unwillingly accepted the quotas assigned to them a year ago because they felt their share was too small. They agreed to stick for a year, nevertheless, to help stabilize the industry.

In the meantime, however, the United States has raised a tariff on copper which protects important domestic producers. Britain threatened a tariff but temporarily abandoned the plan because the empire was unable to produce sufficient refined copper of all grades.

At the end of the conference the future of the industry looked gloomy.

As a matter of fact, the situation probably isn't nearly so bad as it seems at first glance. In the first place, any prospect of unrestricted production is about the last thing any real authority in the industry expects. There is already too much copper in the world. Stocks of almost every producer are large. To go ahead with production would only force copper prices to new lows. They are already below 5¢ in Europe.

It is more likely that producers will stick pretty closely to present production. Another agreement may even be reached before long, to reconsider the quota difficulties. It is quite possible that Roan Antelope's demands are sufficiently justified to warrant some adjustment of that company's quota. Almost certainly there will be further negotiating before any member gets very far with price-cutting.

What may prove to be a significant factor in the final adjustment, if there is one, is the agreement between Briti Copper Refiners, Ltd., and Roan An lope which gives the latter an establish outlet in Britain. Copper Refiners, turn, is controlled by British Insulat Cables, one of the heaviest British us of copper. It is just possible that British copper companies will supp ment this first attempt at domestic ref ing to the point where they can Britain to reconsider the tariff questi But that is not likely to be an importa factor for some time.

While authorities confidently exp these results, they admit that compl chaos is a possible alternative. A f even suggest that uncontrolled outp would soon freeze out the high-cost p ducers and probably help to rationali production to a demand-supply bas But tariffs can always break that up.

Madrid Reconsiders

I.T.&T. vs. nation's telepho rights to be surveyed by co mittee.

SPAIN has decided that, after all, $6 millions is a good deal of money. Al it is probably better not to force an op break with Washington even for t sake of important republican principl

Radicals in the Spanish congre quibbled for a long time when the co servative majority voted last week Madrid that the whole controversy ov the telephone monopoly be sidetrack until it could be investigated by a co gress-appointed commission (*BW Dec14'32*). Officials of Internatio Telephone & Telegraph (who hold t monopoly in which $65 millions American capital is invested) are least temporarily relieved. Washingt dropped further plans for interventio

The matter is not ended. A co mission has been appointed to take the problems involved. It is in keepi with the spirit of Spain's new republ canism that all monopolies come und state control, especially such an impo tant one as communications. It is n in keeping with the interests I.T.&T. to abandon without protest costly investment (and a service whi Spaniards admit has been operated ef ciently). Before the question is se tled, it is likely to be aired openl Details may then come to light.

Business Abroad

Europe divides on war debts. Britain pays. France heads bloc refusing payment. Herriot government falls; treasury nearly empty. Germans cooperate with new government; financial position improved. Japan surprised by Sino-Soviet pact. Latin America is quiet.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe is ready to enter the next phase of the recovery program. America's debtors have declared themselves. A few have paid. Others have not. Still others admitted default rather than deliberate refusal to pay. It is up to the United States now to deal with each debtor individually.

Securities have reacted to all the uncertainty. French francs were affected as prominently as any exchange. The pound sterling recovered some strength though still being erratic. German marks, strangely, went at a premium on the unofficial Paris market after France refused to pay.

Commodities have been heavy though, with the exception of cotton and copper, prices have not broken seriously.

Herriot's government fell on the debt question, leaving France in a precarious position as far as national finances are concerned. Germany's government, on the other hand, improved its position during the week. The Reichstag settled a lot of pressing matters and then voted to give the new chancellor a month's freedom from legislative pressure to try his hand at handling pressing problems of winter relief. The general outlook in the country has very much improved. Admission to the group of "first-class" nations again in the disarmament conference is viewed by Germans as the second great victory in freeing themselves from the shackles of the Versailles treaty. The ending of reparations was the first step.

There is a growing desire on the part of Europeans to have the world economic conference held in Washington instead of London, and to have it delayed no longer than necessary.

Globe

"THE HAND OF A GENERAL—in the glove of a diplomat," declare Germans, will attempt to untangle the deadlock between the German government and the Reichstag. General von Schleicher already has won a "Christmas truce" of one month, during which his cabinet can act free from outside political pressure.

France

Herriot government falls on question of war debt payment. France, and some political allies, will not pay. Franc below gold point.

PARIS (*Wireless*)—The heroic efforts of Premier Herriot, as head of the French government, in a parliamentary debate which extended over 2 days, to persuade the Chamber of Deputies to honor the signature of France by making the $19-million payment due the United States on Dec. 15 on war debts, despite his own firm conviction that France has been exonerated from these obligations, caused his fall. The French agree unanimously that he sacrificed himself to a cause. The onerous position was required of him as head of the government. But no French cabinet ever fell with greater glory.

The decision for debt postponement in many ways decidedly clears the hazy international atmosphere, and places France in a better technical position for future discussion of the debt question. If it comes up now, it will need to be opened by the United States.

Despite the news from London that the United States will proceed immediately on a discussion of war debts only with those nations remitting on Dec. 15, it is still believed impossible in Paris that the United States can ignore the French-European bloc of defaulters, including particularly, Belgium and Poland, and that any attempt by the United States to create a European schism over the matter is more than futile.

France is firmly convinced that the Lausanne agreement definitely establishes the priority of inter-European interests over American claims. Paris sees England as the only weak link, but as Herriot pointed out in his final speech: "That which is admirable about the British is that the more we dispute with them, the closer we come to them. In the last fortnight our cordiality has grown into a true fraternity."

At no time has France pleaded inability to pay. Nevertheless, on the day following the French decision, aside from the firmness of the Bourse, the franc developed new weakness. Even

German marks, traded only unofficially, rose above the theoretical gold export point. While the Bank of France will attempt to continue the sale of dollars in a narrow market, it is expected that the support will prove inadequate and that at least $10 millions in gold will be exported to New York before the end of the year.

The fall of the cabinet leaves France in a precarious position. Treasury working funds were reduced to $8 millions on Dec. 2, requiring replacement by parliamentary consent to borrow. Further, commencement of the budget debate is now suspended until a new government can be formed. And, importantly, the new prime minister is unlikely to command either the esteem or the control exerted by Herriot, both of which may lead to serious complications.

Germany

Political truce, "arms equality" recognition, better finances, and continued industrial recovery fortify recent business optimism. Brighter outlook ahead.

BERLIN (*Cable*)—Germany is under the influence of the Christmas spirit with more of the traditional "good will" in the air than was thought possible a short time ago. Factors which buoyed business sentiment this week include:

(1) The Reichstag, after a clash at the opening a week ago, negotiated the absolutely necessary business, voted a month's recess as a sort of truce among all parties during which the new Chancellor von Schleicher is to have a chance to consolidate recent economic gains and put more plans into action;

(2) Germany has been granted "equality" rights by the powers, will return to the disarmament conferences on something of the pre-Versailles footing. Germany, free of reparations and returned to first class rating, is likely to work out of the prolonged isolated stand which was forced on her in the peace treaty;

(3) Business recovery—slow but perceptible—is continuing;

(4) The country's financial position is improving.

It is this recent recovery in the country's foreign exchange balance which has especially encouraged business. It became evident first in the satisfactory foreign exchange status of the Reichsbank. Its gold and foreign exchange holdings have not declined materially since July. Recently they have shown signs of improvement. This is remarkable because, for the last few months, the average German export surplus has been considerably short of what is regarded as the theoretical monthly average of Germany's foreign payments on long-term and short-term debts.

Incidentally, this improvement was promptly utilized by France in order to demand another small payment on account of the $100 millions rediscount credit which was granted by the Bank for International Settlements, the Bank of England, the Bank of France, and the Federal Reserve Bank of New York during the bank crash of July, 1931. Since then this credit has been prolonged periodically on a quarterly basis. Last spring Germany repaid $10 millions, reducing the credit to $90 millions. When the ordinary renewal took place in June, 1932, a special clause, subsequently called the "French clause," was inserted in the agreement at the demand of France providing for the repayment by Germany of part of the credit which should be proportionate (the exact ratio has not been made public) to an eventual increase in the gold and foreign exchange holdings of the Reichsbank between August and November, 1932. Consequently, Germany had to pay $4 millions on the principal of this loan at the beginning of December. The total amount of the credit is thus reduced to $86 millions.

Exchange Restrictions Eased

Furthermore, this apparent improvement in Germany's balance of payments has also been acknowledged by a relaxation of the Government's foreign exchange regulations for the first half of 1933. The foreign exchange quota allocated to each individual importer will in future be fixed for a period of 6 months instead of only 3 months, thus giving the import trade a somewhat greater margin in adjusting its current purchases of foreign exchange to seasonal and other fluctuations in its transactions. Also, special provision is made for an eventual increase of the quota when an advance in prices of raw materials in international markets should make this necessary.

Finances in Better Shape

The following explanation is offered by Berliners for this financial improvement: (1) For months, new Soviet orders placed in Germany have been considerably below last year's figures. Simultaneously, a relatively large amount of old export credits to Russia have come due and were paid in gold. The total of Soviet gold received by the Reichsbank is nearly $40 millions.

(2) German corporations have taken advantage of low prices of their dollar bonds in foreign markets in order to retire them at prices which some times were as low as 30% to 35% of their face value. Such transactions have been going on either illegally or with the authorization of German authorities, especially in connection with the so-called "additional exports." These repurchases, while requiring a one-time transfer of foreign currency, meant a lasting reduction of current interest and amortization payments as such bonds were retired. It should be mentioned that experts in Berlin, however, think the British estimate that these purchases total $1,500 millions at face value and $500 millions actual cost is grossly exaggerated.

(3) The third cause is the incipient repatriation of German capital which fled the country at the time of the big scare in 1931. This is due not alone to the recall of capital as confidence was restored, but to the fact that small holdings deposited in Swiss and Dutch banks have been returned as their owners ran short of funds at home.

Great Britain

Markets unsettled by debt payment but tone still unshaken. Industry little changed. Christmas trading below normal. New push to win Soviet business.

LONDON (*Cable*)—Important as the war debt payment is to British destiny (at least as important as Britishers think it is), London found time this week to read about Queen Mary's trips to the West End to do the royal Christmas shopping, the sensibility of the British in being patient with an impetuous Shah who wants more money for his oil, and the likelihood that Premier Bennett made his trip from Canada to correct some careless errors in the recent Ottawa agreement (it seems some of the rates on electrical equipment were written in at levels which make it impossible for certain Canadian firms to keep going at a profit).

There was speculation over the war debt up to the time of payment. Sterling was unsteady all week but at levels well above the previous lows. Prices on the stock exchange remained firm but trading was moderate. What will happen to sterling in the coming week is a matter of concern.

Coal Trade Active

Industrially there was little change during the week. The registered unemployed, reported for the end of November, was up due to the end of seasonal work. A number of manufacturing industries, however, have taken on more men. The coal trade is experiencing an improved home demand and considerable revival of inquiries for export. A new effort is being made to sell the Scandinavian market, behind the advantage of depreciated sterling.

November foreign trade returns became available during the week, show that exports increased 2.1% over October, imports were up 1.2%. Compared with last year, imports were down 2.6%, exports only 2.4%.

The largest increases in exports were of cotton goods, silk, leather goods and vehicles.

Christmas trading has started and is disappointingly small. At the same time, general trade is suffering from the pre-Christmas lull. The new plan which demands that three-fourths of the income tax be paid in January is having an unfavorable effect on the Christmas trade. The general tone, however, is still good.

After Soviet Orders

The Federation of British Industries (employers) and the Trade Union Congress of Britain (employees) are in discussion on the possibility of expanding Anglo-Russian trade.

The broad purpose of the talks is described as an attempt to secure the maximum amount of trade with Russia, on the desirability of which both bodies are now agreed. The employers are eager to have their share of the expanding Russian market. The unions want to reduce the number of unemployed members. The political prejudice of the employers, very strong a year or so ago, has now disappeared. Russia today has come to mean business, not politics.

Although certain British industries have recently obtained large orders from the Soviet, these have by no means restored the balance of trade between the 2 countries. Just now the discussions are centering on the terms of credit which the British are willing to grant the Soviets.

One incentive to this new British effort is furnished by the report that Moscow is planning to build a number of textile mills in Central Asia. If they can't sell the Soviets textiles, the British would like to supply textile machinery for these new mills.

Rail and truck interests have given a good deal of attention of late to reports of the new super-highway being constructed between Liverpool and Manchester. More than 25 miles of an old narrow road is being replaced by a $12-million highway which is to be 120 ft. wide, and will cross all other highways with modern overhead crossing. Some of Britain's heaviest industrial traffic is between these 2 great cities.

Far East

Revived Sino-Soviet friendship stirs Japan, creates interesting new possibilities in the Pacific. Japanese firms report large profits.

THERE was a complete change of situation in the Far East this week following the announcement from Geneva that Moscow and Nanking had renewed diplomatic relations. No one seemed to be more surprised than the Japanese, though they must have expected that eventually the Chinese and the Soviets would get together on some plan.

Reactions on business from the new move have not had time to be felt. In the first place, it is expected that Japan will move swiftly to secure the support of some foreign power through a new treaty. Europe is inclined to attach greater importance to the pending visit of Viscount Ishii to various foreign capitals. Especially will relations between Paris and Tokyo be watched because of various rumors of renewed friendship which have been spread during the last 6 months. France, it will be remembered, has signed a treaty of non-aggression with the Soviets.

Sino-Soviet Accord

China seemed almost as surprised as Japan when the announcement was made. Thinking Chinese are inclined to believe that their government officials thought the spread of communism in China was temporarily curbed or under control, that Moscow had agreed not to attempt to propagandize, that Canton dignitaries are in the ascendancy, that President Chiang K'ai Shek is likely soon to be replaced by some left-wing Cantonese, that the Peiping–Tientsin area in the north is less likely to be attacked by Japanese troops moving south from Manchukuo. Easing of political tension is likely to aid trade. The Japanese boycott, however, is likely to be stronger. Nothing has been said yet of possible fresh negotiations concerning the status of the Chinese Eastern Railroad, held jointly by Russia and China until the new Japan-sponsored state of Manchukuo declared it would take over the Chinese interests.

Big Japanese Dividends

Business in Japan reacted little one way or the other following the announcement. Actually, yen exchange was up slightly during the week, and reports of industrial earnings, just released, were quite favorable. According to one usually reliable report, average profits for 125 companies representing 25 industries were 12.7% for the first half of the fiscal year (ending variously between July and October). A statement by the great Mitsui company covering 1,140 companies showed profits of 6.1% for the same period. This compares with 3.9% in the last half of 1931 and is the same as the rate for the comparable period last year.

During the week it was officially announced in Tokyo that the country's 2 great shipping companies—Nippon Yusen Kaisha and Osaka Shosen Kaisha—had agreed to cooperate "completely" for the sake of the economies of operation which this would make possible. They are not yet officially merged.

Considerable significance attaches to the new relationship between China and the Soviets. Every new move by Japan will be followed closely by business men interested in the Orient. In view of the rumors in New York and Washington that the United States will officially lend a more attentive ear to proposals for open relations with Moscow, the ultimate lineup on the Pacific is important.

Latin America

Christmas lull in Latin American animosities. Brazil and Argentina consider plan to end most-favored-nation agreement with Britain.

THERE is a Christmas lull, if not a whole-hearted Christmas truce, in the troublesome affairs of Latin America. Brazil and Argentina are talking seriously of economic cooperation. Chile is quiet internally and is pushing the advantages of the new trade agreement with Argentina. Colombia and Peru have not settled their difficulties along common frontiers but there is a lull in diplomatic hostility. Honduras has ended the revolt and Cuba is momentarily free of internal political strife. In fact, it seems probable that a new spirit of cooperation may develop. It will come slowly, and with many setbacks. It would move more rapidly if a better example was being set abroad.

The plans for the presidents of Brazil and Argentina to meet are not yet complete. Back of the scheme is the new Ottawa empire trade plan. Both Argentina and Brazil have most-favored-nation agreements with the British which are nullified by the new empire preferences. It is proposed that the 2 Latin American countries cooperate in a plan for larger reciprocal trade, and form a united front in all dealings with Europe in the future. It is a significant move even though everyone intimately informed on conditions believe it is a task which can be accomplished only very slowly.

Mexico is continuing to consolidate economic gains made during the fall. A steady exchange rate, more ample credit with a freer lending policy by banks, and formulation of plans by the government for further expanding the banking system were features which inspired business confidence of late.

Vegetable Cartel Aided

A number of Mexican banks are reported to have surplus funds available and are making loans at substantially reduced rates of interest on transactions involving mainly crop financing and domestic mercantile operations.

The plan which has been advanced by General Calles for the formation of a strong vegetable cartel in Mexico will be supported by a government-organized agricultural bank to finance operations. Mexico has been expanding its markets at home and abroad for fresh vegetables. General Calles would aid the project with funds for systematic marketing.

The Figures of the Week

Christmas carries little cheer to the steel industry with its prospect of a new low operating rate. Coal, carloadings, and check payments gain over holiday week. Seasonal increases mark electric power and currency circulation. Commodity prices firm slightly.

RECENT depression years have taught the steel trade not to expect Santa Claus in December, so the declining rate of operations of current weeks comes as no surprise. Interest is now centered in guessing the prospects for next year. Ordinarily the spring months bring an upturn of fair proportions, but precedent is no longer a guide in many lines of industrial activity. In 1932, steel ingot production reached a peak of only 27% in February against 26% in January and 24% in December, 1931. Much hinges upon the success of the motor industry in its spring drive with 1933 models, and upon the purchase programs of the railroads.

Buying by miscellaneous consumers petered out in the middle of November, leaving the motor manufacturers to supply the chief support of steel operations. As a consequence, the decline of 28,739 tons in the backlog of the U. S. Steel Corp. was not unexpected. The loss in November wiped out nearly the whole gain of the preceding 3 months, leaving unfilled tonnage but 1,999 tons above the all-time low of July, 1932. Comparison with preceding years is useless, as forward buying has been virtually eliminated in recent years. Trade papers feel a gain is possible in December for shipment in January. This enables the yearend inventories to be kept at a low level, a procedure especially important in states that tax inventories. But until large consumers enter the market with volume, the unfilled orders account will show but unimportant fluctuations.

Outside of structural steel requirements, which reached one of the largest tonnages of the year through the bunching of a number of federal projects, the steel markets are dull. Ford has placed a small order in the Detroit market, and more is expected when volume production commences. A number of motor manufacturers are expected to swing in line this month in order that new models may be in the hands of distributors early in January.

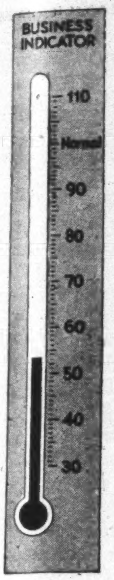
November production has been estimated by the National Automobile Chamber of Commerce at 61,216 units against 51,857 in October. These figures apply for the United States and Canada combined. They represent a gain of 18% over October and a decline of less than 13% from a year ago. Sales during November are expected to run considerably below the production level, since both are affected by the pending showing of new models. On the basis of returns from 13 states, passenger car sales in the United States may reach 40,000, or 35% below October, according to R. L. Polk & Co. Truck sales are likely to run 41% under October.

General Motors' Sales

The monthly report of General Motors on sales to consumers and dealers continues the trend apparent in recent months. Sales to consumers declined 52.6% from October to 12,780 units; sales to dealers dropped 58.6% to 2,405 units. The strenuous effort to keep

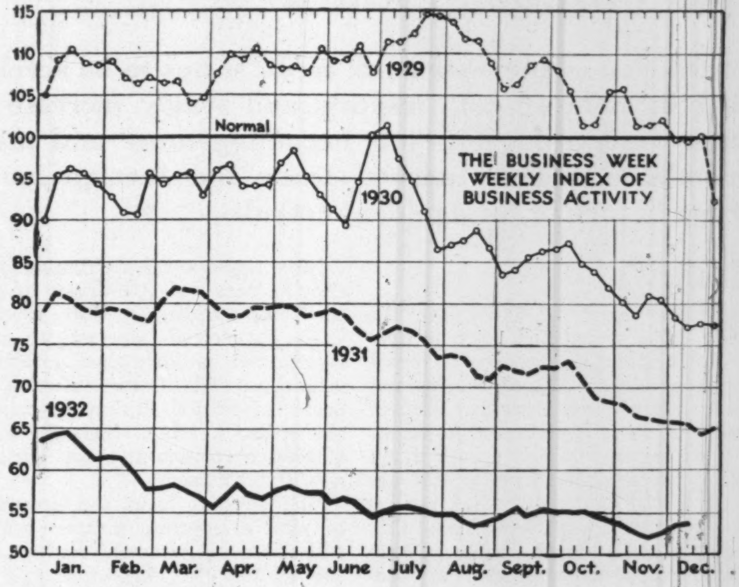
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*53.6	†53.4	65.5	
PRODUCTION				
Steel Ingot Operation (% of capacity)	16	17	25	54
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,291	$4,302	$6,850	$13,867
Bituminous Coal (daily average, 1,000 tons)	*1,116	†1,305	1,204	1,665
Electric Power (millions K. W. H.)	1,519	1,510	1,672	1,697
TRADE				
Total Carloadings (daily average, 1,000 cars)	91	94	106	141
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	59	60	69	88
Check Payments (outside N. Y. City, millions)	$2,855	$2,368	$3,366	$5,158
Money in Circulation (daily average, millions)	$5,682	$5,654	$5,529	$5,033
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.43	$.42	$.53	$.98
Cotton (middling, New York, lb.)	$.059	$.058	$.062	$.145
Iron and Steel (STEEL composite, ton)	$28.91	$28.91	$30.36	$33.87
Copper (electrolytic, f.o.b. refinery, lb.)	$.048	$.049	$.062	$.127
All Commodities (Fisher's Index, 1926=100)	58.7	60.2	67.1	86.6
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,202	$2,208	$1,897	$1,597
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,841	$19,002	$20,664	$22,054
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,057	$6,125	$7,477	$8,694
Security Loans, Federal Reserve reporting member banks (millions)	$4,307	$4,288	$5,760	$7,042
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$392	$353	$690	$2,991
Stock Prices (average 100 stocks, Herald-Tribune)	$84.68	$83.19	$91.81	$142.39
Bond Prices (Dow, Jones, average 40 bonds)	$77.31	$76.94	$76.35	$91.77
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	4.2%
Interest Rates—Prime Commercial Paper (4-6 months)	1½-1¾%	1½-1¾%	3¾-4%	4.2%
Business Failures (Dun, number)	588	467	575	530

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week,* May 7, 1930, p. 39.



production and sales in close conformity has reduced field stocks of new cars in the 12-month period ending Nov. 30 by 46,246 units. Unsold stocks in the hands of dealers are reported to be the lowest ever recorded by the General Motors Corp. Stocks of used cars were reduced 41% to the lowest level since records were first compiled in 1926.

Rail buying remains quiet, with orders small and largely for repair purposes. Probably only a revival in general business activity will bring the railroads into the market in face of their present financial condition.

Construction Awards

Public projects remain the backbone of the construction industry. According to the *Engineering News-Record,* awards for heavy construction for the week ending Dec. 8 totaled $28.7 millions, of which over $23 millions were public awards and the balance private. In the following week, awards totaled less than $19 millions, of which $14.2 millions were public and $4.8 millions were private. The weekly rate thus far is running slightly under the average of $25 millions a week the past two months. The usual trend for December is downward, but the extraordinary effort of various government divisions to reduce unemployment has upset precedent in the construction industry.

Bituminous coal production during the week ended Dec. 3 increased slightly over the preceding holiday week, but the daily average output sharply declined. Anthracite coal production exceeded the closing week of November in both total and daily average output, a trend comparable to recent years.

Electric power production made a slightly better showing for the week ending Dec. 10, reducing the spread from a year ago to 9.1%. The October release on distribution of electric power by the National Electric Light Association indicates that domestic consumers expanded their requirements less than last year, thus reducing the spread over 1931 to 1%, the smallest margin of the year. On the other hand, large industrial users curtailed less drastically than in 1931, bringing consumption of power within 17.2% of October, 1931.

The October report is also of interest in revealing a steady gain in the derivation of electric power by water this year as compared to 1931, when dryness necessitated a greater use of fuel. In October, kilowatt-hours generated by water power increased 32.8% over last year, while hours generated by fuel declined 25.4%.

Carloadings Better

Total carloadings for the week Dec. 3 increased 53,579 cars, but since the gain of the week was less than between comparable weeks of 1931, the spread widened from a year ago to 13.9%. The gains were particularly marked in the miscellaneous and less than carlot freight, lifting the adjusted index to 52% of normal.

The sharp rise in check payments during the week ended Dec. 7 is partly due to the presence of the first of the month with its trade settlements, and partly to the fact that a 6-day week is being compared with a 5-day week. New York City debits gained 25%; the 140 cities outside of New York gained 20.6%, while the 131 cities outside of financial centers showed a 24.2% increase.

In the past 2 years November has marked the low point of the year in the volume of check payments, and 1932 is apparently to be added to the list. Total debits in the 141 cities was less than $21 billions, a decline of 18% from October. New York City checks amounted to $9.8 billions, a drop of 24% from the $12.9 billions of October.

Currency circulation continues the upward trend that usually characterizes December. Mutual savings banks in New York state report an excess of withdrawals over deposits during November of $7.1 millions against $7.5 millions a year ago. Christmas Club savings paid out accounted for over $3.6 millions of the withdrawals. Total disbursements in the state on this account will probably reach over $13.9 millions, a decline of 6.5% from 1931.

Bank suspensions during the week Dec. 8 numbered 22 against 36 the previous week. December closings to date now total 30. November suspensions have been raised to 89.

Department Store Sales

November department store sales went counter to the usual upward trend, dropping the adjusted index to 64, against 71 in October.

The decline in Fisher's wholesale commodity index for the week ending Dec. 9 showed a disappointing sagging to a new low. Since then, there has been a slightly firmer tendency apparent on the major exchanges. Cattle and hog prices were striking exceptions to the steadiness of the non-ferrous metal markets, textile fibers, cocoa, coffee, and sugar. Corn was heavy, with stocks accumulating at terminals and continued limited feeder demand.

The Financial Markets

Contraction of member bank credit seems to be accelerating in spite of gold imports and steady increase of excess reserves. Money is becoming more and more unlendable. Stock market steady and foreign bonds strong in face of foreign debt defaults.

Money

SINCE the outset of November the deadly spiral of deflation seems to have set in again, and the pace has increased in recent weeks. Although loans and investments of New York City member banks are still at levels above the beginning of the year, the latest week shows a sharp contraction. Some of this was due to special local transactions, such as the repayment of New York City credits; but the abrupt decline in commercial loans and reduction of non-government investments is significant. Next week will probably offset this by sharp increase in government security holdings as result of participation in the Dec. 15 Treasury financing, but such expansion, as in past months, only conceals the steady commercial loan liquidation that has been going on. Security loans show the only increase in the record.

More significant is the continuous decline in loans and investments of member banks outside New York, especially in the commercial loan category and in investments in other than government securities. This comes after a fair degree of stability during August, September and October. Since the middle of November deposits of outside banks also have declined.

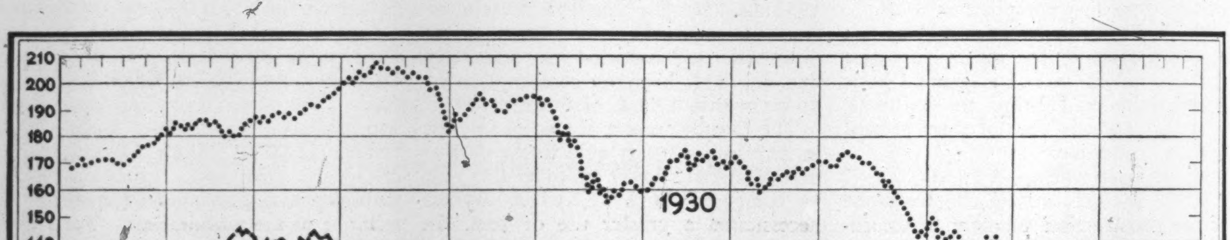
The level of loans and investments of weekly reporting member banks is still above the low point reached at the end of July, but this increase is altogether a reflection of larger government security holdings. Loans and discounts have declined almost without interruption since the beginning of the year.

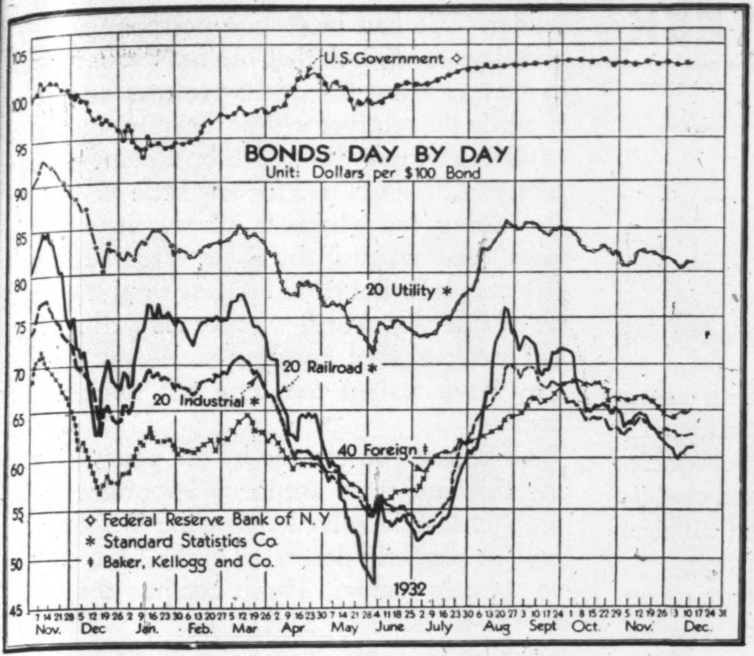
The recently accelerated contraction has come despite the sustained high level of excess reserves, which still fluctuate between $450 and $500 millions. Gold imports are steadily increasing, and if the $95 millions on the British debt payment is actually shipped in the next few weeks we shall probably end the year with as large gold stocks as we began, completely offsetting the spring panic outflow.

Sterling exchange has strengthened by about 14¢ from the all-time low since it has become certain that England will not default this time.

The currency circulation increase is still relatively mild for the season, probably reflecting the backwardness of holiday trade.

Short-term money rates are still being pushed down by the pressure of excess bank reserves and idle money, which has become almost unlendable. Call money outside the Stock Exchange post was available last week at $\frac{5}{8}$%, and some at $\frac{1}{2}$%. The Dec. 15 offering of $250 millions, $\frac{3}{4}$% one-year certificates was 16 times oversubscribed, and the $350 millions, $2\frac{3}{4}$% four-year notes nearly 20 times. This reflects largely the prevalent practice of padding subscriptions to secure the largest possible share of the cash allotment. About $535 millions of the $604 millions of maturing obligations were offered in exchange for the new issues, so that cash subscriptions were small. But the rush for these short-term Treasury issues and the active speculation in the maturing obligations all indicate the increasing pressure for idle bank and other investment funds for safe short-term uses.





Bonds

THE firm tone of the bond market in the high-grade classifications is encouraging in some respects, but not so hopeful from the point of view of business prospects. The recent strength of foreign issues in face of acrimonious debt discussions and prospects of defaults by some debtors is specially striking. Probably the explanation is that holders of private foreign obligations interpret default on intergovernmental debts as providing additional security for themselves.

More thoughtful observers wonder whether the deflationary forces that have forced write-downs in what has presumably been the strongest kind of obligations—those between governments—will not do likewise to others not so fortified by tradition.

In any event, it is striking that the foreign bond averages are only slightly below the high point for the year, as compared with a recession amounting to about 10% in the domestic bond averages.

Behind the general strength in the gilt-edge issues some see the influence of the renewed decline of commodity price levels since October. Probably the pressure of idle and timid money is the more immediate influence. This must be the case in connection with the marked firmness of Treasury issues, which are near the high levels for the year, despite the extremely dubious prospects of budget balancing in the near future.

Idle money pressure is seen, too, in the scramble for the new New York State $30 million relief bond issue, which will probably go at slightly above 3% under sharp syndicate bidding. This is the only item of any significance in the recent new issue market activity.

Stocks

ASTONISHING steadiness continues to feature the stock market in face of extreme uncertainty regarding business prospects, acute disturbance of international economic relations by the debt discussion, and extraordinary stagnation of speculative trading. This is undoubtedly heartening in some respects as indicating a sold-out condition of the market; but it may be interpreted as an indication of the very delicate balance of market sentiment between hope and discouragement.

Whatever the reason, it is interesting and unusual that there has been practically no net change in the stock averages in 2 months, contrasting with rather precipitate decline during November and early December a year ago. More striking perhaps is the fact that the general level of stock prices is closely approaching that of a year ago, and may close the year at approximately the same level as last year. This will be the first time such a thing has happened since the great toboggan began. If it turns out that way it will be a fairly encouraging indication that so far as the stock market is concerned the air is out of all the tires, and that the business machine may be bumping along the road to recovery without danger of further skidding.

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New York City

THE BUSINESS WEEK
The Journal of Business News and Interpretation

DECEMBER 21, 1932

There Ain't No Santa Claus

—Anyway, not in business nowadays, nor for grown-up business men.

We like to think that prosperity and peace come down the chimney in some politician's pack, like Christmas presents, but they don't. We may fancy that the jingling bells and clattering hoofs of the legislative Donner and Blitzens will drive depression away, but they won't.

For three years now we have been hanging up our statistical stockings on the mantelpiece of the political prophets by the smoky fire of the financial soothsayers, expecting like wistful children that some economic St. Nick would climb down the flue and hand us good times in a nice gold-standard gift-package. But when the old fellow does appear we shall see through his false whiskers, and find that he is only that energetic neighbor, Mr. Jones, dressed up for the part, and that old Daddy Industry has paid the bill for the presents and Ma Management has wrapped them up.

No, brothers; in this hard-boiled world of business-as-it-is there is no economic Kris Kringle. We can't expect anyone to watch over it for us, to record our good intentions in a big book and reward us just because we meant well. This business world by which we all must live is what we make it by our labor, our enterprise, our intelligence, not merely in the service of our own personal interest, but in cooperative effort with others in behalf of all. We get out of it no more than we put into it, and on the whole a little less; for we must always, whether we know it or not, pay our tithe of sacrifice and penance to the gods for our stupidities and our frailties so that they do not utterly destroy us.

If we want to bring better days we should not sit around writing letters to Santa Claus, for in this instance there is no sentimental Postmaster to forward them to a kind old lady. They will only come back marked "insufficient address," or land in the dead letter office; and so will the sender. We had better not postpone applyin ourselves to the task that lies nearest us in ord to see how many Christmas presents we receiv if we do the receiver will be the only one prese at the festivities. There will be nothing on Au Jenny's Christmas tree for any little Willie who is waiting for whatever all we little Willie have been waiting for these three years past. We may hear the herald angels sing; but it wi be in that next world whither all well-meani but weak-minded business executives go when they have waited too long for something to turn up.

Of course you can see by the papers, including this one, there are many important "world problems" to be solved before the Christmas tree will be properly decorated and all the children completely happy. Those are just the sort of things to leave to Santa Claus. While he is working on them during the warm weather at the North Pole, if we are good boys and girls tending strictly to business, trying to straighten out the corner where we are, we will be surprised to discover these problems in our stocking on Christmas morning all nicely solved and neatly tied up with the tinsel and pink ribbon that politicians, statesmen, and economic experts always use to wrap up problems in. And then we can cheerfully chuck them into the closet along with the Christmas tree ornaments till next time.

The wise men who will come bearing gifts to the future prosperity of this country are those who are silently, steadily laboring at them today, strengthening their powers of productive accomplishment, searching the future for signs and portents of the needs and desires of the people, striving to discover ways of satisfying them. These men know there ain't no Santa Claus; but he will remember them just the same.

P.S. Believe it or not; this is our annual Christmas editorial.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: $7.50 a year, U. S. A. and possessions. Foreign $10.00 or £2.10s. Cable code, Mcgrawhill
Publishing Director, Jay E. Mason

Editor, Marc A. Rose
Managing Editor, Ralph B. Smith
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